

Continental Trade Divide Vision Fails When Western Europe Looks East

By Tom Redburn International Herald Tribune Whenever the European Community turns its attention to Eastern Europe, something seems to go a bit awry. The two-day meeting that opened Tuesday in Copenhagen — bringing together foreign affairs officials from the EC, the European Free Trade Association and most of those European nations once under the thumb of the Soviet Union — is proving to be no exception.

mission to the EC in Brussels. "We're hoping to find out, but nobody in Brussels seems to know what is happening." Moreover, soon after Denmark had settled on April 13 and 14 for the conference, Japan started scrambling for an open date to schedule a hastily-planned meeting of foreign ministers and finance officials from the Group of Seven industrial nations to consider further Western aid for Russia. Without consulting the EC, the Japanese settled on April 14 and 15 for their own confab.



Mr. Christopher greeting the U.S. envoy, Michael H. Armacost, upon arrival in Tokyo on Tuesday.

Deal Allows New Talks On Future of Hong Kong

Patten Hails Agreement To Meet on April 22, But Expects 'Problems'

By Kevin Murphy International Herald Tribune HONG KONG — Britain and China agreed on Tuesday to begin talks on Hong Kong's political development, breaking a deadlock that arose in October when the colony's governor, Chris Patten, first raised the issue of greater democracy for Hong Kong.

U.S. in Policy Shift on Japan Trade and Security Issues Not Linked

By James Sterngold New York Times Service TOKYO — In a striking shift of emphasis in the United States relationship with Japan, two top Clinton administration officials on Tuesday altered four decades of diplomacy by pressing Tokyo to reduce its yawning trade surplus, while saying nothing of the security issues that had dominated the relationship during the Cold War.

trade surplus Tuesday, also unveiled a \$116.5 billion program to stimulate its faltering domestic economy. The spending is intended to moderate the growth of the trade surplus by increasing imports. (Pages 11 and 14.) The American officials were cordial in applauding the Japanese measures. But behind the courtness there was a steely edge as they also made it clear that more would have to be done to revivify Japan's domestic economy and that they expect Japan to continue to take a leading role in providing aid to Russia, even before there is progress on a territorial dispute between Japan and Russia left from World War II.

The West Isn't the Only Region to See Japan as a Trade Predator

SEOUL — After decades of focusing its exporting sights on the United States and Europe, Japan is now in a race to dominate trade in East Asia, the world's fastest-growing region. And it is succeeding with a strategy that is as well crafted as it is irritating to many of the region's countries.

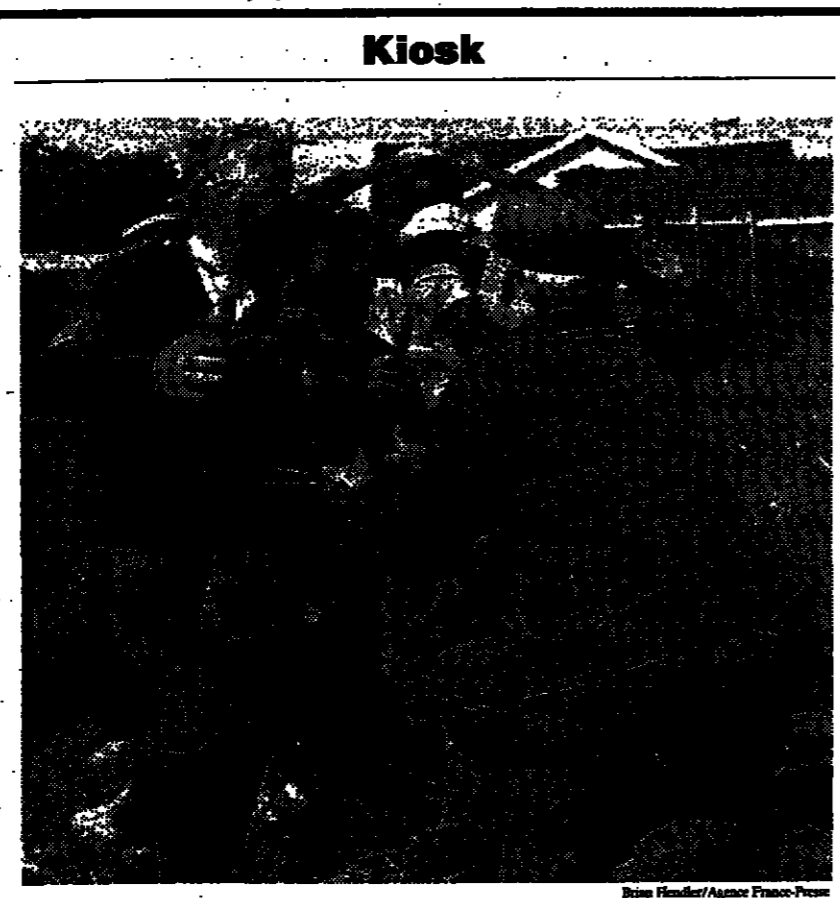
companies do, as well as the barriers to selling their products in Japan. In short, Japan's trade surpluses have been transformed from an issue with the United States and Europe into a global one. Japanese companies have put their products into the very engine of this region's growth by selling not just consumer goods such as cars and electronic gadgets, but the industrial equipment and manufacturing technology on which Asian exporters depend.

at South Korean Ministry of Trade and Industry. "When the Korean economy was just beginning to develop, we had to rely on Japan for technology and parts. Once we had their systems, we kept buying them. So as our exports to the rest of the world increased, our imports from Japan had to grow." Japanese officials "have this model in which Japan controls everything, and they are just applying that model to a new area, Asia," said Chuk Yung Soek, deputy chairman of the Korea-Japan Economic Association.

These are Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand. By contrast, Japan's surplus with the United States declined in that period, according to Japanese figures, to \$43.7 billion last year from \$45 billion in 1989. Japan's exports to East Asia — \$116.4 billion last year — now far exceed the country's exports to the United States, which came to \$95.9 billion.

A UN Official Assails Serbs For 'Atrocity'

By Peter Maass Washington Post Service SPLIT, Croatia — As United Nations trucks evacuated 800 refugees from Srebrenica, a senior UN official Tuesday openly accused Bosnian Serbs of committing an "atrocity" when they shelled the Muslim enclave. In one of the bloodiest barrages of the year-long war in Bosnia-Herzegovina, Serbian gunners besieging Srebrenica fired a pinpoint series of mortar rounds Monday that killed at least 56 civilians, including 15 children, and wounded 108 others.



SOUTH AFRICAN ARREST — A suspected looter being arrested as Nelson Mandela addressed a crowd outside the home of the murdered Chris Hanu. Page 5.

Washington Post Captures 3 Journalism Pulitzer Prizes The Washington Post, with three awards, and The Miami Herald, with two, dominated Pulitzer prizes for journalism, which were announced Tuesday. Roy Guntman of Newsday and John F. Burns of The New York Times were named co-winners of the prize for international reporting. The prizes went to Mr. Burns for his coverage of Sarajevo and to Mr. Guntman for reporting on Croatia and Bosnia-Herzegovina. (Page 6)

Mobutu's Economic Gem Diamonds Keep the Government Afloat

By Keith Richburg Washington Post Service KINSHASA, Zaire — Copper mining has all but halted, the mines flooded with water. The factories, looted bare, have been shut down. But President Mobutu Sese Seko of Zaire is proving that even in a country reduced to economic shambles, diamonds are still a dictator's best friend. The international diamond trade in Zaire — the world's third-largest diamond producer — is believed to be the last remaining major source of hard currency that Marshal Mobutu has to pay his elite troops, back the printing of money and keep what is left of the government afloat.

Asia, Newest Slave to Satellite and Soaps

By Molly Moore Washington Post Service NEW DELHI — It has introduced the wrestler Hulk Hogan to fishermen in Bangladesh, brought "Lifestyles of the Rich and Famous" to slum-dwellers in Bombay and pushed back the dinner hour in thousands of middle-class New Delhi households with prime-time showings of steamy American soap operas. The invasion of the satellite dish is rapidly turning the most populous swath of the globe into the world's largest television audience, revolutionizing the way people in some of the region's most isolated nations think, dress and spend their money.

Mobutu's Economic Gem Diamonds Keep the Government Afloat

al Center of Expertise, which regulates the trade. "The diamond trade is the key to the economy right now," said a Western diplomat in Kinshasa who monitors the trade. "The diamond buyers are the only source of hard currency." The state-run diamond corporation, MIBA, officially brought in \$46.3 million last year and \$8.2 million in January and February. Most of the dozen private, officially licensed houses in Kinshasa that trade Zaire's diamonds, which are largely of low-grade industrial quality, are dominated by the capital's diminished but still influential Lebanese population. The houses usually operate with Zairian partners, according to industry analysts and economists.

Asia, Newest Slave to Satellite and Soaps

as MTV and BBC News, now reaches almost 12 million households, hotels and restaurants in 38 countries from India to Israel and from China to the Philippines. In India, the fastest-growing market, the number of viewers has risen almost 160 percent in the last nine months, with 3.3 million households receiving the service, according to network figures. Many government officials and media watchers say the availability of foreign television news and entertainment could have as great an effect on many Third World nations as the introduction of television years ago, allowing citizens to bypass censored, government-controlled airwaves. STAR-TV estimates that its largest viewing audience is in China, where the network believes 4.8 million households receive transmissions, and where the Communist government tries to control the dissemination of political ideas. Government restrictions have prevented accurate surveys.

Table with financial data: Dow Jones (Up 15.94), Trib Index (Up 1.15%), The Dollar (New York, Tokyo, London, Frankfurt, Paris, Rome, Milan, Zurich, Bern, Vienna, Moscow, Seoul, Taipei, Manila, Hong Kong, Sydney, Melbourne, Auckland, Wellington, Christchurch, Dunedin, Auckland, Wellington, Christchurch, Dunedin).

U.S. Abortion Foe Finds Less Fertile Ground in Britain

By William E. Schmidt

NEW YORK TIMES SERVICE LONDON — When they arrived here more than two weeks ago, the small cadre of American anti-abortion militants sought to establish a European beachhead...

garding the deportation order, he must remain in England, abandoning planned visits to France, Scotland and Ireland.

Although most of the two dozen Americans who followed him here are now back home, Mr. Treshman remains in London...

In supporting a motion that described Mr. Treshman's organization as a "threat to public order," several members of Parliament cited cases of arson, assault and bombing aimed at abortion clinics in the United States.

Indeed, the abortion issue has not generated the emotion or violence that has marked other movements here, such as campaigns by animal-rights activists, some of whom have been implicated in bombings.

Several British newspapers published editorials condemning Mr. Treshman's visit and defending government efforts to deport him.

Campaign Heats Up As Yeltsin Lavishes Gifts on Russians

By Michael Dobbs

MOSCOW — As the Russian referendum campaign moves into high gear, President Boris N. Yeltsin is furiously courting the voters with a mixture of populist promises and warnings of social chaos...



OUT WITH THE OLD — A woman near St. Petersburg snipping out a hammer-and-sickle emblem as a shop converted old flag.

Determined to win a political showdown with the conservative-dominated parliament, the 62-year-old president is digging into the government's vast depleted pork barrel to persuade Russians to support him in a nationwide vote of confidence on April 25.

As in previous electoral campaigns, Mr. Yeltsin acts as his own cheerleader. "Nobody is applauding," he complained petulantly at a meeting with students on Monday in Moscow...

West to Speed \$2 Billion for Moscow

TOKYO — The United States and its financial partners plan to speed \$2 billion in aid to Russia in an effort to help President Boris N. Yeltsin in a referendum April 25, Clinton administration officials said Tuesday.

The \$2 billion tagged for quick delivery consists of \$1.5 billion in long-term loans from the International Monetary Fund and about \$500 million from the World Bank, the officials said.

WORLD BRIEFS

Clifford and Altman Counts Dropped

WASHINGTON (AP) — Federal criminal charges against Clark Clifford, the former secretary of defense and presidential adviser, and his law partner, Robert Altman, in the BCCI banking scandal were dismissed Tuesday.

Khmer Rouge Quits Phnom Penh

PHNOM PENH, Cambodia (AP) — UN officials received Tuesday a copy of a letter by the Khmer Rouge saying the guerrilla group would leave the capital in an apparent formal withdrawal from the peace process, UN sources said.

Egypt Militants Threaten New Attack

ASSIUT, Egypt (AP) — Muslim extremists claimed responsibility on Tuesday for the assassination of a police major general and threatened more killings as 5,000 policemen arrived to help search for the killers.

Negotiators Near an Angolan Accord

ABIDJAN, Ivory Coast (AP) — Negotiators for the Angolan government and UNITA rebels were close to an agreement on halting the fighting after a first round of negotiations Tuesday, delegates and UN mediators said.

Najibullah Seeks to Leave Kabul

ISLAMABAD, Pakistan (Reuters) — Afghanistan's former Communist president, Major General Najibullah, wants to end his years-long refuge inside a UN compound in Kabul, quit politics and leave the country, the United Nations said on Tuesday.

For the Record

The military junta in Sudan is to allow private newspapers and magazines to reappear as long as they are not owned by single individuals, the government announced in Khartoum.

TRAVEL UPDATE

Venezuela faced the possibility of a strike Tuesday after strike calls by Caracas bus drivers, court employees and state oil industry workers.

EBEL the architects of time. SPORT. Scratch-resistant sapphire crystal. Water-resistant to 30 metres. High performance quartz movement. Available for men and women in 18 ct gold, stainless steel and yellow metal.

High flyers can now get up-graded when they check-in. Suite deals every day and weekend packages that are even sweeter. The Landmark of Bangkok. THE LANDMARK HOTEL AND PLAZA.

Bogus Notes Close Japan Cash Outlets. TOKYO — Banks and railway stations shut down thousands of money-changing and automatic ticketing machines across Japan on Tuesday after the discovery of large numbers of counterfeit bank notes.

U.S. Passports Designed With Criminals in Mind. By Bill McAllister. WASHINGTON — American passports have turned green. And they are now coming with new security features designed to deter terrorists, drug smugglers and others who have managed to successfully counterfeit the old blue-covered versions.

A WEEK IN THE LIFE OF THE TRIB. Monday MONDAY SPORTS. Tuesday STYLE. Wednesday STAGE ENTERTAINMENT. Thursday HEALTH/SCIENCE. Friday LEISURE. Saturday-Sunday ART/THE MONEY REPORT. Plus daily POLITICS AND ECONOMICS, THE ARTS AND SCIENCE, BOOKS AND TRAVEL, BUSINESS AND FINANCE, FOOD AND FASHION, BRIDGE AND CHESS, OPINION AND COMMENTARY, FILM AND THEATER, THE NEW YORK TIMES CROSSWORD, PULITZER PRIZE WINNING FEATURE COLUMNISTS. Don't miss out. Make sure you get your copy of the IHT every day. International Herald Tribune.

# FIRST 100 DAYS / FILIBUSTER POWER

## ★ POLITICAL NOTES ★

### Health-Care Query: What to Leave Out?

WASHINGTON — At the core of President Bill Clinton's health-care plan is a radical new concept: a standard package of health benefits that would be guaranteed to all Americans, perhaps more generous than the health insurance most Americans have now.

The idea of a uniform benefit package appears to have immense appeal. It could improve health care for many Americans, including the 37 million who have no health insurance, and it could help reduce administrative costs by standardizing policies.

But this idea, which sounds so simple, could prove politically explosive.

By defining the minimum benefits, the U.S. government would make decisions that are now left to state laws or to negotiations among insurers, employers and employees.

Congress will almost surely want to play a large role in determining what benefits are offered. This raises the possibility of debate so intense it could disrupt the entire effort to overhaul the nation's health-care system.

For example, some women's groups are demanding coverage of reproductive health services, including abortion. Doctors of other interest groups are lining up to make sure that their special concerns are well treated, too. The political horse-trading could drive costs to intolerable heights.

Despite these concerns, Clinton administration officials are contemplating a package of benefits more comprehensive than what is now available through Medicare or most private health insurance plans.

Confidential work papers from the president's health-care task force show that the panel is drafting detailed requirements for coverage of items such as vaccines, routine preventive care for babies, Pap smears, mammograms, physical examinations, prescription drugs, mental health services and drug abuse treatment.

The contents of the benefit package will directly affect not only the costs; but also the plan's political acceptability. Benefits must be generous enough to attract broad support, to protect public health and to eliminate the temptation for people to buy private insurance to supplement the standard coverage. But if the package is too comprehensive, it will probably be too costly for the government and for many employers.

"The problem is trying to determine what is superfluous, not what is necessary," said Representative Frederick L. Grandy, Republican of Iowa, a member of the House Ways and Means Subcommittee on Health. At a recent subcommittee hearing, he repeatedly asked, "What should not be in the core benefits package?" He rarely got an answer. (NYT)

### Trade Groups Offer Their Own Prescriptions

WASHINGTON — The magazine advertisement casts the health-care question in highly personal terms. There is a picture of a balding, genial-looking fellow with the headline: "Ask Mike what he'd do if you took away the ulcer drug that's saving him from a \$25,000 operation."

This is the pitch of the Pharmaceutical Manufacturers Association, one of several trade groups, corporations and lobbying organizations that have begun an advertising blitz about changes in the health-care system. While the ad touts the "cost-saving power" of prescription drugs, it neglects to mention that the industry spends \$1 billion more each year on advertising and lobbying than on developing new drugs.

As in political ads, the agendas of these organizations are not always made clear. All proclaim themselves strongly in favor of "reform" and insist that preserving their particular financial interest somehow will lower costs. Some make questionable or misleading assertions.

"The secret of advocacy advertising is that the target audience is a tiny universe of highly influential people," said Jay Severin, a New York political consultant. "A group like the American Medical Association is saying to its opponents, 'We're prepared to wage a fight that could get ugly and expensive for you.'" (NYT)



President Clinton blowing a whistle to start the White House Easter Egg Hunt, as his wife got into the spirit of the event.

### Quote / Unquote

Bob Dole of Kansas, the Senate Republican leader, responding to President Clinton's use of the annual White House Easter Egg Roll to step up his campaign against Republicans who are blocking his \$19.5 billion jobs bill: "It's a shame President Clinton has resorted to using the children at the Easter egg hunt as a partisan political backdrop to hatch a new excuse for his so-called stimulus package. What President Clinton should tell those children is that he wants to saddle them with bigger deficits instead of paying for this new summertime spending and hundreds of other spending and taxing plans, which will rob them of their full potential." (NYT)

### Away From Politics

- The use of LSD among high school seniors is at its highest level in seven years, and more teenagers are snuffing glue and other volatile substances, says a new study by the University of Michigan's Institute for Social Research in Detroit.
- Los Angeles remained tense as a federal jury weighed the fate of four policemen in the Rodney G. King beating. Hundreds of National Guardsmen reported to staging areas to await the verdict.
- District of Columbia police now believe a lone gunman is responsible for all the drive-by shooting shootings that have frightened Northwest Washington neighborhoods in recent weeks. Two people have been killed and four wounded in the attacks since Feb. 23.
- Taco Bell Corp. asked customers to return promotional finger puppets and inflatable balls after receiving reports that some children got their tongues stuck in the puppets and that others became dizzy after trying to blow up the balls.
- The body of a seven-month-old infant was found in a state prison in Lucasville, Ohio, where hundreds of barricaded convicts are holding eight guards hostage.
- The Space Shuttle Discovery's astronauts chased down and captured a solar science satellite to bring back its valuable data. The astronauts began pursuing the \$6 million Spartan satellite from 200 miles away a day after releasing it.
- The Pacific Northwest has had a disappointing winter that promises continued drought conditions from Washington to Wyoming. February was the driest on record in most of the area.

AP, LAT, WP

## Will Jobs Bill Defeat Be Republicans' Last Hurrah?

By Michael Wines

New York Times Service

WASHINGTON — So the Senate's 43 Republicans have logged a Cinderella-rank upset, knocking off both the White House's \$19.5 billion jobs bill and its reputation for political savvy last week with a single filibuster. Politics is a blood sport, and a party is only as good as its next victory.

The real question is this: Where will the Republicans strike next?

Not President Bill Clinton's tax proposals. The taxes, as well as all spending for mandatory programs such as Medicare, will move to a voter Senate rules that forbid such delaying tactics.

Not the rest of the budget. Filibusters against major spending bills are almost unheard of. Few Republicans would cut off money to an entire cabinet department, checkbook with popular programs, just to prevent the spending they do not like.

And not Hillary Rodham Clinton's health-care plan in all likelihood. Many in both parties still feel the medical costs are too high, and the public's demand for a solution so angry and strong — that they want to handle it in a bipartisan fashion.

For the Senate Republican leader, Bob Dole of Kansas, this neatly illustrates the big drawback of being a giant-killer. It raises expectations.

Senator James M. Jeffords, Republican of Vermont, suggested that if the White House had stroked the opposition a bit and offered to spend a little less, the filibuster might not have occurred.

Which is another reason the Republicans may not enjoy such success again soon, an administration aide contended.

"From now on," he said, "let's just say the White House probably will be more sensitive to internal Republican politics."

From freshman senators to the Democratic leader, George J. Mitchell of Maine, to the president, Democrats have tried to cast the

band of filibusters as a threat to Mr. Clinton's entire agenda, if not to the economy and the republic itself.

"It seems clear that there is a determined effort to defeat the president's program," Mr. Mitchell said last week at the height of the jobs-bill debate. "Prudence dictates that we anticipate this reaction to any legislation proposed by the president."

Reality suggests otherwise. Across the landscape of Mr. Clinton's legislative plans, only a few proposals stand out as likely targets for Republican filibusters. And most of those are not atop the White House's list of priorities.

"Campaign finance, maybe," an administration official suggested, referring to Mr. Clinton's fervent but amorphous commitment to rewrite the rules of raising and spending political money.

Any bill to grant statehood to the lopsidedly Democratic District of Columbia would certainly be filibustered. So might a Democratic proposal that would bar companies from the union-busting practice of hiring

permanent replacements for striking workers.

Although some other bills are certain to be stalled at least briefly by talkshows, few are likely to last long or have much success. Their recent victory aside, Republicans in Congress are far weaker this year than at any other time in the last 12.

Arithmetic shows why. When George Bush was president, the Democratic-controlled Senate needed to muster two-thirds of the body's 100 lawmakers — 67 votes — to override his frequent vetoes.

With Bill Clinton in power, and vetoes of Democratic legislation unlikely at best, the magic number drops to three-fifths of the Senate, or 60 votes, the number Democrats must summon to cut off debate on a bill and force a final vote.

As a result, Republicans must hold on to 41 of their 43 members, in most debates, or lose control of the floor and the legislation.

Being a fractious group of politicians these days, it does not find that easy.

"We had all gotten used to having a president who backs us with vetoes," said Senator Jeffords, "so you could do things with 33 or 34 votes. Now you have a situation where you need 40 votes, and it has to get pretty tight before we have any purpose."

Senator Jeffords knows the arithmetic well. A Republican liberal, and therefore a member of a vanishing species, he is regularly courted by Democrats to desert his party on close votes.

For Senator Dole, the man charged with keeping filibusters going, Senator Jeffords and other susceptible lawmakers are but part

of the problem. At the other end of the party's spectrum are advocates of ideological war with the Democrats, such as Phil Gramm of Texas and Don Nickles of Oklahoma, who pull the party rightward and make it difficult to retain 41 votes on any issue.

The result is that Republicans are able to stop only two kinds of Democratic initiatives: Those they are not so passionate about and those they care about so deeply that any internal differences can be papered over for the sake of the cause.

Last month, Senate Republicans filibustered a bill in the former category, the proposal to increase voter registration by allowing it when renewing a driver's license, for example. And they forced Democrats to make significant changes in the measure to pass it.

Mr. Clinton's jobs bill — a title that the Republicans assert is false advertising — is of the rare-deeply variety, and Republicans have so adamantly refused to swallow it that it now seems possible that it will not pass at all.

Senator Gramm said most observers misunderstood the reason for the latest filibuster. "People are focused on the wrong end of the spectrum," he said. "They're focused on what this means about the relative power of the president as opposed to the Republicans in Congress, or what this means about the political power struggle. We're very united on this because we're on the issue that defines the Republican party — tax and spend."

Frustrated that weeks of psychological warfare and the constant vigil kept by hundreds of armed federal agents have failed to induce a surrender, the FBI is now surrounding their home with the razor-sharp barbed coils as a way to guarantee that cult members stay in, at least until they run out of food or decide for some other reason to give up.

The move could lead to a reduction in the size and expense of the round-the-clock government force now ringing the compound, FBI officials in Washington said. But they concede it could also amount to a tacit admission that they expect cult members to remain holed up for several more weeks or months.

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Hanoi Debunks Report It Withheld U.S. POW Data

By Philip Shenon

New York Times Service

BANGKOK — Vietnam's senior diplomat dealing with U.S. affairs described a "clear fabrication" on Tuesday a document suggesting that 1,205 American prisoners of war were being held in North Vietnam...

comes at a sensitive time for Vietnamese officials, who are preparing for meetings in Hanoi next week with John W. Vessey Jr., a retired army general who has been dispatched to Vietnam by President Bill Clinton to discuss the issue of missing American servicemen.

The document, recently discovered in the archives of the Soviet Communist Party in Moscow, has alarmed former U.S. officials and scholars of the Vietnam War who say it may prove that hundreds of American prisoners of war captured by North Vietnam were never released, and are now almost certainly dead.

The document is a Russian translation of a September 1972 report, said to have been prepared for the Vietnamese Politburo by General Tran Van Quang, who is identified in the document as the deputy chief of staff of the North Vietnamese Army.

According to the report, even as Vietnam was asserting that it held only 368 U.S. prisoners, there were 1,205 Americans still alive in North Vietnamese prisons in 1972.

Mr. Phong said the easiest way of proving that the document was a fabrication was by reviewing General Quang's career. In 1972, he said, General Quang was not deputy chief of staff of the Vietnamese Army, as the report says.

General Quang, now retired, is the director of an organization of Vietnamese veterans. Foreign Ministry officials in Hanoi said that although they had not spoken directly to General Quang about the document found in the Russian archives, his staff had confirmed to the ministry that the document was a forgery.

The release of the document



Stephen J. Morris, 44, a Harvard researcher, holding up photocopies of Soviet documents about Vietnam after his return to New York.

East German's Abortive POW-Spy Swap

By Craig R. Whitney

New York Times Service

BONN — Recently released State Department documents show that in early 1967, an East German lawyer with connections in Moscow and Washington dangled the possibility of a trade of American prisoners of war captured in Vietnam and supposedly being treated in East Germany for two convicted Soviet spies held by Berlin.

The lawyer, Wolfgang Vogel, now says that he was mistaken, and that no American POWs from Vietnam were in East German hospitals when he asked U.S. officials in January and February 1967 if they would be interested in a swap for the spies.

General Markus Wolf, the East German Communist espionage chief at the time, also said in an interview that he was unaware that any POWs were ever on East German soil.

Mr. Vogel is under investigation by Berlin prosecutors for allegedly improper dealings with some of the 33,755 former East German political prisoners who releases he negotiated during the Cold War in exchange for nearly \$2 billion worth of payments from the West German government.

ations from Washington, he gave Mr. Vogel a list of navy and air force pilots believed to be held by Vietnam.

The list contained 11 names of pilots, with their ranks, serial numbers, dates of birth and the dates they were presumed shot down. All 11 men were held in North Vietnam until the United States pulled out of the war in early 1973, according to Mr. Shields, and they returned to the United States at that time.

In January, after fragmentary German news reports on his negotiations, Mr. Vogel said that as he recalled it, the information that the pilots may have been under treatment in East Germany had come from his principal West German negotiating partner, Jürgen Stange, a lawyer in West Berlin.

"Meenan approached us and asked if we could do something for the pilots," Mr. Vogel said. "I made inquiries through Josef Streit, the prosecutor general, but he called the chief doctor of the military hospital in Bad Saarow and was assured that there were no pilots here."

A few days later, according to the cables, Mr. Vogel reported that he had discussed the U.S. reaction with the prosecutor-general during a meeting at which two Soviet security men were also present.

"The Eastern stand was that the West must commit itself in principle to returning the Krogers before progress can be made toward freeing the captured U.S. fliers, according to Vogel," said a cable from the U.S. mission in Berlin dated Feb. 9.

On Feb. 15, after discussions in London, the State Department instructed the Berlin mission to "inform Stange and Vogel that Krogers not available for exchange."

In June, Mr. Vogel told U.S. officers in Berlin that he was "not even sure" that the prisoners "were still in East Germany," and that the offer in any case was off because the North Vietnamese had withdrawn it.

After the Murder, The Plot Theories Gun That Killed Hani Stolen In a Rightist Pretoria Raid

By Paul Taylor

Washington Post Service

JOHANNESBURG — When rightist extremists broke into a South African Air Force arsenal in Pretoria on April 14, 1990, and stole weapons and ammunition, the black anti-apartheid leader Chris Hani warned that there was something fishy about the theft.

"I remember him saying that those weapons were just being shifted into different hands for covert operations," said Tokyo Sexwale, a regional leader of the African National Congress and a close friend of Mr. Hani's. "It has turned out to be all too true."

Almost three years to the day later, one of the pistols taken in that 1990 raid has been identified by ballistics tests as the weapon used to murder Mr. Hani on Saturday. It is also the source of a fresh outbreak of conspiracy theories in a country where simple explanations never seem to stand the light of day.

The police say they hope the weapon will provide a lead in their probe into whether the suspect in the killing, Janusz Walus, 40, had any help from the network of rightist neo-apartheid groups to which he belonged. So far, they say they have been unable to establish any links, in part because Walus has refused to answer any questions.

Mr. Walus appeared briefly Tuesday morning in a magistrate's court in Boksburg, near Johannesburg, but no formal charges against him were entered. At the prosecutor's request, the arraignment was postponed until May 12.

Late Monday, the leader of the nation's largest militant, pro-apartheid white organization acknowledged that Mr. Walus was a member of the group.

Mr. Walus has been a member of the Afrikaner Weerstandsbeweging, or Afrikaner Resistance Movement, a paramilitary organization claiming more than 30,000 commandos, since 1986, according to its leader, Eugene Terre Blanche.

The investigation into Mr. Hani's assassination has already become heavily politicized. Mr. Sexwale has accused the white-minority government investigators of handling the alleged assassin with "kid gloves," and others in the ANC have suggested they may be covering up government involvement in an assassination plot.

national monitors be permitted to join in the probe; it has not yet gotten a response.

The Law and Order Ministry's spokesman, Craig Kotze, in turn, has accused the critics of making "wild, irresponsible charges" and said that 40 detectives are on the case.

The 1990 theft of more than 70 weapons and thousands of rounds of ammunition from the Air Force Headquarters office in Pretoria was hailed by rightists at the time as the beginning of the Boere Vryheidsoorlog (Boer freedom war).

The heist occurred three months after President Frederik W. de Klerk shocked the nation by declaring apartheid dead — a proclamation that triggered a proliferation of militant rightist groups among Boers, South African whites of non-British descent.

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The heist occurred three months after President Frederik W. de Klerk shocked the nation by declaring apartheid dead — a proclamation that triggered a proliferation of militant rightist groups among Boers, South African whites of non-British descent.

The police say they hope the weapon will provide a lead in their probe into whether the suspect in the killing, Janusz Walus, 40, had any help from the network of rightist neo-apartheid groups to which he belonged.

Mr. Walus appeared briefly Tuesday morning in a magistrate's court in Boksburg, near Johannesburg, but no formal charges against him were entered.

Late Monday, the leader of the nation's largest militant, pro-apartheid white organization acknowledged that Mr. Walus was a member of the group.

Mr. Walus has been a member of the Afrikaner Weerstandsbeweging, or Afrikaner Resistance Movement, a paramilitary organization claiming more than 30,000 commandos, since 1986, according to its leader, Eugene Terre Blanche.

The investigation into Mr. Hani's assassination has already become heavily politicized. Mr. Sexwale has accused the white-minority government investigators of handling the alleged assassin with "kid gloves," and others in the ANC have suggested they may be covering up government involvement in an assassination plot.

national monitors be permitted to join in the probe; it has not yet gotten a response.

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Chan Parker: Bird and Life in The E-Flat Lane

By Mike Zwerin
International Herald Tribune
PARIS — The autobiography of Charlie Parker, "Ma Vie en Blues" (My Life in E-Flat), on which the Clint Eastwood film "Bird" was based, has just been published here by Librairie Plon...



Author Parker: Late one night, there was a call. "Clint Eastwood wants to talk to you."

Author Parker: Late one night, there was a call. "Clint Eastwood wants to talk to you."
Clint Eastwood. Can I call you Chan?
"Sure. Can I call you Clint?"

Brussels' Troubled Opera Money and Politics Plague the Monnaie

By John Rockwell
New York Times Service

RUSSELS — One might think that Brussels, which along with Strasbourg is one of the two capitals of the new, semi-unioned Europe, would have its political and economic life in order...

Theater's troubles have not dampened its tradition of distinguished works.

contract that began in January 1992, said that he had refused to economize unduly during his first season in order not to be seen as "weak." He added that his 1993 budget would be within budgetary guidelines...

Who Killed Christopher Marlowe?

By Sheridan Morley
International Herald Tribune

LONDON — Peter Whelan's "The School of Night" (moving now into the Barbican from last summer at Stratford) is an immensely expert and intriguing whodunit...

lowe was also an atheist and free-thinker, deeply into the confusions of counter-Elizabethan espionage, and of the opinion that "all men are fools who love not tobacco and boys..."

On May 17th, the IHT will publish an advertising section on High Technology: A Guide to the 21st Century

High Technology: A Guide to the 21st Century. Among the topics to be covered are: Technologies of the future, Outlook for cooperation among the U.S., Japan and Europe...

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Co-sponsored by the European Council of American Chambers of Commerce & the International Herald Tribune

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Opinion

INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

U.S. Troops to Bosnia?

A lot of serious and decent people are now urging President Bill Clinton to use American military force to protect innocent Bosnian populations from further murderous Serbian assaults. But any such step must take account of political realities in the United States. Neither in Congress nor in the population at large is there now any real constituency for U.S. military engagement.

tematic rape and grotesque forms of murder. Thanks to a UN arms embargo that mainly constrains the Bosnian government, those who have survived remain all but defenseless. Even the UN food relief effort now may be trickling to a halt for lack of funds.

Awaiting Hanoi's Answer

A dark cloud has fallen across the prospect of expeditious normalization of relations between the United States and Vietnam. It lies in a 1972 document found by the American researcher, Stephen Morris, in an Old Soviet file and transmitted to the American government last week. In it, a North Vietnamese general offers a secret and presumably candid accounting of American prisoners of war.

disappeared, they finally killed the 600 — destroying the evidence, they say. This is in a 1972 document found by the American researcher, Stephen Morris, in an Old Soviet file and transmitted to the American government last week.

Other Comment

India Is Showing the Way

Ever since China first opened its doors in the late 1970s, investors have predicted great things about the world's most populous country embraces capitalism. Despite the growth in southern China, investors still wait for institutional shifts that would make China an irreversibly free economy.

It makes Watergate look like child's play. Among other repercussions, this evidence would clearly seem to add one more line to the portfolio of Richard Nixon, who in a speech from the Oval Office on March 29, 1973, the day the last of the 591 prisoners released by Hanoi were turned over to American officials, said: "All of our American POWs are on their way home."

POW Cover-Up Confirmed

The [1972 document] is stunning confirmation of what a small number of people who have researched the POW-MIA issue, including this reporter, have been saying and writing for some time: that the Nixon administration left prisoners behind in its political haste to extricate itself from the Vietnam War and that the Vietnamese held those men back to get the reconstruction aid they believed had been promised them.

NATO Won't Help Matters

Experts believe that the West is building up its military presence in the Balkans to prevent one more war in the region. But so far all interference in the Yugoslav crisis has just exacerbated the situation. NATO is not the United Nations. The military bloc which was set up for defensive purposes might get involved in a war against a European state, which would be anything but defensive.

Enough Talking: Genocide in Bosnia Has to Stop

By Sadruddin Aga Khan

WASHINGTON — A moment of truth has arrived in Bosnia. It is not the illusory one that diplomats have in mind. They believe that with the Bosnian Muslims' and Croats' signing of the United Nations peace accord the pressure on the Serbs has mounted, and that the Serbs will risk further isolation and condemnation unless they sign. Not since Neville Chamberlain's capitulation at Munich has the world expected so much of war criminals.

war criminals and thus accord them legitimacy. People who should face international tribunals and prison have enjoyed the prestige and courtesies of UN meetings and all the diplomatic niceties.

The negotiators accepted the Serbs' wish for an ethnically divided Bosnia. The Serbs would get to keep territory seized in some of the ugliest warfare of our age.

The humanitarian needs of the besieged civilians were politically neglected to keep the

when they have signed the accords — which their parliament rejected — and then do not abide by them. So what must be done has again been postponed, and more UN limp hand-holding is left to take the place of a credible threat of punishment.

longer — but is no less dangerous — than that posed by the invasion of Kuwait. In a world where ethnic, religious and nationalist conflicts are considered the new menace, the international community is failing the test.

The U.S. administration and Congress have indicated that they are as reluctant to see U.S. troops involved as European governments are to see a widened role for their contingents. So when the bluff was called, it was not the Serbs but the international community whose bluster was exposed.

The Vance-Owen peace talks were diplomacy on the cheap: words without force. The international community has no choice but to begin a purposeful commitment of troops to back a broadened UN mission involving armed relief corridors on land or in the air and protective corridors around besieged cities.

The PLO Is Now Israel's Natural Ally, and Clinton Could Help

By Milton Viorst

WASHINGTON — Israel has arrived only recently at a recognition of the menace of Islamic extremism. In the 1980s it persuaded the United States to authorize secret shipments of arms to Iran, although Iran was — and is — lawlessly carrying its fundamentalist revolution.

native to tyranny and corruption is fundamentalist Islam. The PLO, the Palestinian secular leadership, has created democracy to the Arabs of the occupied territories, while holding out to Israelis the prospect of peace. It is not behind the current terror. Over the protests of Hamas, the PLO went to the 1991 peace conference in Madrid and has talked with Israel about ending the conflict over Palestine. But the PLO has its own history of terror: despite its current disavowal, most Israelis remember the blood on its hands. It has scared Israel's judgment.

peace with it. Although he argues that the deportations of last December were aimed only at extremists, the PLO answers that it, too, is a victim. Over the years Israel has deported 1,600 Arabs from the occupied territories, most of them, by current standards, moderates. Arabs call deportation a weapon used against them all.

fact, he becomes their partner in intransigence. If Mr. Rabin once supported Hamas as a counter to the PLO, he should now support the PLO as a counter to Hamas.

When Will Arabs Revolt Against Cruelty at Home?

By A. M. Rosenthal

NEW YORK — Since World War II, the Arab world has failed to produce a single government that shares power with its people, a single government that holds itself accountable to its people, a single government based on genuine parliamentary process, religious freedom and democratic restraints.

Hussein's Iraq, "The Republic of Fear." As he has been a target for Iraqi police, he will now be the target for Arab and pro-Arab intellectuals. The book will drive them crazy.

profitable and safe freedom in the West. They preach by book and broadcast to young Arabs that the enemy is, guess — the West, not the despots among whom they chose not to seek them.

President Bill Clinton missed opportunities to act for compromise. Late last month, Arab foreign ministers meeting in Damascus refused to relent on their boycott of the talks.

Hundreds of thousands of Arabs died in Arab pogroms because of it — and millions in wars of Arab against Arab. Terrorism became part of international life, including the inescapable possibility of nuclear terrorism.

democracy, a protection against pogroms, never rose among Arabs, he says. He blames not the West nor Israel, not even primarily Saddam Hussein, King Fahd, Yasser Arafat or Hafez Assad. He says they are products of a "modern Arab culture" that has failed to produce anything better.

Arab intellectuals, with some exceptions like Walid Khalidi of Harvard, the inspiration for the first paragraph of this column, are particularly viciously of Saddam's leadership of the Palestine cause. The pro-Palestinian Makkya rejects that excuse with contempt.

One wonders, given the events of recent weeks, whether Mr. Clinton appreciates that he is missing a real chance to reduce the tensions on which fanaticism thrives. In the occupied territories, data indicate that most Palestinians loathe Islamic extremism. Encouraging a serious bid to the PLO would prove to them that the positive course they have adopted has its rewards. The only alternative is savage struggle, which is something few Palestinians and even fewer Israelis and Americans want.

East Asian-Led Prosperity for Some, Tough Luck for the Rest

By Nathan Gardels

LOS ANGELES — The fading imperial legacy of European colonial powers is being succeeded by vigorous capitalist order centered in the Pacific basin. The post-Atlantic world order has arrived.

share of utility construction contracts in each other's markets. Under the semiconductor agreement with Japan, American chip manufacturers are assigned 20 percent of the Japanese market. To the same effect, Japanese firms are limited by voluntary quotas to a fixed percentage of the American auto market.

But there is an odd complementarity between the entrepreneurial openness of North America and East Asia's cautious prudence to political order. What better commercial market than East Asia. This expansion across the Pacific would consolidate the primacy of the region in world commerce.

of Africa are superfluous. By and large, we don't need what they have; they can't buy what we sell.

Patches of order and swaths of pandemonium — the image of our new world is coming brutally into focus.

market. In today's interconnected economy, one man's trade surplus is another man's unemployment. So political terrain, Bill Clinton's America included, is reassessing its place, not quite as a protectionist fortress but rather as a kind of entrepot of reciprocity in which, in order to balance the gains and losses of trade, one does unto his partner in commerce what would be done unto him.

All the while, fighting rages in Bosnia and neo-Nazi flames in Germany. Jacques Attali, the head of the European Bank for Reconstruction and Development, which is in charge of economically merging the former Communist East with Western Europe, has of late been given to dark lamentations about "Europe's descent into tribalism."

1893: Threat to Balfour

LONDON — The Belfast magistrates yesterday [April 13] confiscated a revolver and a number of rounds of ammunition under the falling extraordinary circumstances: During Mr. Balfour's progress through Belfast on Easter Tuesday, a man watching the procession was seen by an inspector to be putting his hand in his pocket. A constable, who was promptly set to watch him, eventually succeeded, without attracting general notice, in taking from him a large Colt's revolver. Mr. Balfour's carriage was just passing at the time and to prevent a disturbance no attempt was made to arrest the man.

1918: German Reverse

AMERICAN FRONT — At six o'clock yesterday morning [April 12] the enemy put down a heavy bombardment on the American sector north-west of Toul and followed with an infantry attack. On the lifting of

1943: Chiang Complains

NEW YORK — [From our New York edition:] Madame Chiang Kai-shek, who returned to the East yesterday [April 12] after a nation-wide tour, asserted that China had been deprived of equipment which the Allies needed for the North African campaign without being notified in advance of the necessity for the diversion. China's future depends entirely on the aid she received from her allies, Madame Chiang emphasized. As Allied leaders the Chinese trust that in future they will receive prior notice of any proposed diversion of aid.

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INTERNATIONAL HERALD TRIBUNE KATHARINE GRAHAM, ARTHUR OCHS SULZBERGER Co-Chairman

Banking in Luxor Herman S... The writer is author of a book on the Arab, 'Sandcastles' to be published early next year. He contributed this column to The Washington Post.



OPINION

A 'Comfort Women' Screen Hides the Enduring Shame

By George Hicks

KUALA LUMPUR — Continued insistence by Tokyo that tens of thousands of Asian women who served in Japanese military brothels during World War II did so voluntarily is running into some high-powered flak. The increasingly flimsy Japanese case is being scrutinized by the United Nations, the International Commission of Jurists and a number of eminent international legal experts.

The issue has become a major test of Japan's international acceptability and ambitions.

Japanese historians estimate that about 200,000 Asians, a large majority Korean, were coerced into becoming wartime "comfort women" for Japanese troops. But the issue is no longer a private dispute between Seoul and Tokyo, of little interest to the rest of the world. It has become a major test of Japan's international acceptability and ambitions.

How will the Japanese government respond to UN demands? How will Japanese courts rule on the mounting number of cases launched by victims from several Asian nations? Is Japan willing to face the truth about its past and admit that large numbers of women were dragged into service?

The problem that Japan faces in sustaining its claim that the women were volunteers is that a growing number are coming forward to talk publicly about their experiences.

I recently interviewed a Chinese woman in Kuala Lumpur who, in February 1942 when she was 15, was raped by Japanese troops in front of her parents and brother before being thrown into the network of military brothels for the duration of the war.

Not all the comfort women were Asian. About a dozen Dutch nationals who were captured by the Japanese in Asia and forced into brothels have given accounts of what happened. This was not a case of undisciplined troops committing random rape, common to most wars. Under Japanese rule, it was a highly developed and meticulously regulated system.

A small group of determined Japanese lawyers and scholars laid the foundation for internationalizing the issue. The scholars continue to dig up damning documentary evidence from the past.

Malaysia. But like many other Asian victims, they are reluctant to be identified, or even to speak about their traumatic and humiliating experiences.

Nonetheless, a major watershed was a public hearing in Tokyo in December sponsored by the United Nations. Theo Van Boven, a Dutch law professor who is the Special Rapporteur of the UN Subcommission on Human Rights, attended the hearing. His report to the UN on comfort women will be tabled in August and is expected to add substantially to the mounting international pressure on Japan.

On April 2, the issue gathered further momentum in Tokyo when 18 Filipino comfort women filed suit against the Japanese government. Each woman is demanding \$160,000 in compensation. A few days later, the first comfort woman resident in Japan, a Korean, filed a suit demanding not monetary compensation but an official apology from the Japanese government.

An apology, with the implied admission of guilt, is not something Tokyo wants to offer. Instead, it is considering a large fund for surviving victims, in lieu of compensation, thus avoiding any admission of guilt. But silence from the women, their lawyers and public opinion cannot be bought.

Another consequence feared by Tokyo is that Japan will be put in the same dock as Serbian military rapists in Bosnia. A UN subcommittee that took up the issue of war rapes earlier this year criticized the rape of Muslims in Bosnia and proposed that those found guilty be punished as war criminals. A subsequent UN resolution confirmed the principle that "organized rape is a war crime."

Specific mention was made not only of crimes in the former Yugoslavia, but also the case of the comfort women in World War II.

After studying the body of evidence on the comfort women, John Humphrey, a former director of the UN Human Rights Division, says he is confident that the Japanese government will "eventually compensate the victims of these crimes."

He adds, "The sooner this is done, the better for Japan's image abroad."

Tokyo may continue to argue that the comfort women were volunteers. But for as long as it does so, the rest of the world will question whether Japan's moral standing matches its economic muscle.

The writer, who is preparing a book on the comfort women, contributed this column to the International Herald Tribune.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.



Psst, Your Personal Details Are Getting Lots of Notice

By Jeffrey Rothfeder

NEW YORK — You'd think it would be virtually impossible for a private citizen to get Dan Quayle's credit report. But I got it with little difficulty. All I had to do was pay an information company \$50, plug in my computer, type in the former vice president's name and out poured the private details of his finances. (He shops at Sears a lot, hardly ever at Brooks Brothers.)

Another data seller — there are dozens — sold me Dan Rather's credit transac-

MEANWHILE

tions from a month last spring, when he spent 10 times more on clothing than on dining out. This seller warned to me quickly. As a bonus I was sent Norma White's home phone number for free.

ies, direct marketing companies and other corporations. These data banks send out the information to regional data banks and information sellers across the country, who make it available to anyone who is on-line.

The Medical Information Bureau, a consortium of insurance companies, collects and distributes physician and hospital records on millions of Americans and Canadians. It flags such items as drug and alcohol dependency and the results of psychological and HIV tests. A data bank in the Southwest collects and sells the names of people who have signed up for worker's compensation, making them undesirable to some employers.

The government is just as negligent about privacy. The 178 largest agencies maintain nearly 2,000 data banks, containing millions of files each. In violation of federal privacy laws, it has not told the public about 11 percent of these systems.

Some agencies have their computers comb data banks to create "propensity profiles" on citizens. The purpose is to target people who, though they've committed no crimes, might one day cheat on their taxes or carry out a terrorist act.

Social Security numbers, which were never supposed to be a form of identification, are often used for just that purpose. Because they're asked for so often, they're barely a secret — a terrifying thought considering the numbers are the key to accessing personal information.

Last month, Marc Greidinger, a lawyer, successfully challenged Virginia's right to require Social Security numbers in voter registration. The state now has to keep its records confidential. The Virginia case is an exception, though. The few federal privacy laws that exist are notoriously weak-kneed.

The Right to Financial Privacy Act of 1978 forbids the government from rummaging through bank account records without the consent of individuals or a judicial warrant. Exemptions in the law allow state agencies, local law enforcement officials, private employers and even individuals to do so at will.

Congress has grappled with a dozen privacy laws in the last year and passed none. Some are sorely needed, like legal liability for unauthorized access to credit reports, safeguards for medical records, prescriptions for what information is fair game for mailing lists, restrictions on when and how data can be used for making hiring decisions and the creation of a privacy commission.

Corporate America, fearful of the added cost of protecting privacy, has lobbied Congress to prevent such measures. So far, it has prevailed. Wait much longer to begin debating the limits of privacy, and there may be nothing left to define.

The writer, a senior editor at Bloomberg Business News, is author of "Privacy for Sale." He contributed this column privately to The New York Times.

LETTERS TO THE EDITOR

Muslims' Guilty Silence

For generations to come, Muslims will remember with shame and contempt the inept attitude of Muslim governments, particularly those with oil wealth, that with chilling indifference watched the extermination of fellow Muslims in Bosnia. Their guilty silence, and their incapacity if not to stop the genocide then at least to put moral pressure on the United States and Europe, will help erode whatever credibility they might still have in the eyes of their own people, and will, unfortunately, fuel more fundamentalism at home.

Ironically, it was a French general who stood his ground at Srebrenica, and chose to defend, alone, a condemned Muslim community. General Philippe Morillon, je vous salue.

LEILA A. W. RUSTOM, Cairo.

Remembering Zuckerman

This refers to your obituary of Lord Zuckerman (April 2). I should like to mention his participation of many years in the Pugwash Conferences on Science and World Affairs where, along with many arms control experts, such as Robert McNamara, the former U.S. secretary of defense, Lord Zuckerman stressed the necessity of an adequately verified nuclear weapons-free world as the goal to be worked for, rather than to contentenance the retention of even a small number of nuclear weapons by various countries.

He noted that otherwise proliferation of nuclear weapons to countries now not possessing them would inevitably occur if a few continued to possess them.

Also, as scientific adviser to the British government for many years, he pointed out that war games demonstrated that any use of nuclear weapons by NATO against possible advances into Western Europe by the former Soviet forces would almost certainly escalate to all-out nuclear war. Thus, a zero level of nuclear weapons for all countries is clearly indicated.

MARTIN M. KAPLAN, Geneva.

Sprately Oil? None So Far

Regarding "Arms: East Asia's Colossal Shopping Spree" (Opinion, March 19): Leslie Gelb states that "Beijing might be tempted to flex its new muscles, as it has been doing in the oil-rich Spratly Islands." As a petroleum geologist, I can state that this is a myth. I see it continually alluded to by many journalists and politicians of both Southeast Asia and the West. To date there has never been a single barrel of oil produced in the entire Spratly region of the South China Sea. In fact, there is not even good or valid geological evidence to show that it will ever become an oil producing province.

E. F. DURKEE, Manila.

Japan Unvarnished

Regarding "Some Revel to the World's Lost Grace Notes" (Opinion, March 31): The Japanese retain many enviable characteristics because "they exclude foreigners from close contact"? This belies the contributions to the preservation of Japanese traditions by many foreigners, from the turn of the century writer Lafcadio Hearn to the present-day Sumo grand champion, Akebono, who hails from Hawaii.

It is true that many feel loyal to their companies, but loyalty to the nation is demonstrated by the continued popularity of the unifying figurehead, the emperor, as well as by the profusion of Japanese language books promulgating nihonjin ron, an unscientific theory of Japanese racial and sociological uniqueness.

As to honor systems and safe streets, I trust that Mr. Elegant has not walked unattended through the slums of Tokyo late at night or ever had a run-in with the wonderfully organized crime gangs.

CHARLES ALLARD JR., Tokyo.

The Comic Side of Tragedy

Regarding "Making Fun of a Frigate" (Letters, March 31) from H. Benoit: The point of Jeff Danziger's cartoon, showing one office worker coolly coping with the World Trade Center explosion, is not lack of sympathy with the victims but illustration of the resilience of the typical New Yorker, used to all kinds of aggravations and used to taking them all in stride. "Harry! I'm running late" is a great line, and every New Yorker will have chuckled. It's the ability to see the light and funny side of tragic events and momentous issues that keeps people sane.

RENE OLIVIER ORLEAN, Paris.

Turn to the Sports Pages

I much enjoyed the story about the Dutch team and cyclist Michel Zanoli ("Pro Biking Springs Into Season of Hope," April 2, by Samuel Abi). Why do you not let your Mr. Abi write about anything except cycling? Such a fine writer could tell us also about the real world. Or do you feel that dullness should be preserved for "important" matters?

ERIC SPALDING, Siracusa, Italy.

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# NYSE

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12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
120	110	IBM	4.00	3.6%	13	120	110	115	+5
100	90	Microsoft	0.00	0.0%	15	100	90	95	+5
80	70	Apple	0.00	0.0%	12	80	70	75	+5
60	50	Oracle	0.00	0.0%	10	60	50	55	+5
40	30	Sun	0.00	0.0%	8	40	30	35	+5
20	15	Novell	0.00	0.0%	6	20	15	18	+3
10	8	Lotus	0.00	0.0%	5	10	8	9	+1
5	4	Intuit	0.00	0.0%	4	5	4	4.5	+0.5
3	2	Visa	0.00	0.0%	3	3	2	2.5	+0.5
2	1	MasterCard	0.00	0.0%	2	2	1	1.5	+0.5
1	0.5	AmEx	0.00	0.0%	1	1	0.5	0.8	+0.3

## Former Shearson Broker Indicted on Fraud Charge

**Bloomberg Business News**

**NEW YORK** — Charles Lewis, a former broker at Shearson Lehman Brothers Inc., was indicted Tuesday on federal charges for allegedly defrauding a customer of the firm with the help of a former compliance official.

The four-count indictment charges Mr. Lewis, 63, one of Shearson's most lucrative brokers until his sudden resignation in December, with conspiracy, mail fraud and keeping false books and records. It was handed up in U.S. District Court in Manhattan.

Mr. Lewis was cited in a Jan. 28 federal indictment against the compliance officer, Edward Coyle, who also left Shearson abruptly in December. The indictment charged Mr. Coyle with two counts of mail fraud and one count of keeping false books and records.

Tuesday's indictment added a charge of conspiracy against the 36-year-old Mr. Coyle, who allegedly forged documents used in a 1989 arbitration hearing to protect Mr. Lewis.

Mr. Lewis bought a \$50,000 life insurance policy in September 1990 with the intention of naming Mr. Coyle as beneficiary, and gave Mr. Coyle a \$6,000 check in October 1990, the indictment said.

The two men had a "close social and business relationship," according to the January indictment. Mr. Coyle pleaded not guilty to the previous charges, said Scott Edelman, the assistant U.S. attorney prosecuting the case.

The two men face possible five-year prison terms and \$250,000 fines on each of the conspiracy and mail fraud counts, along with 10 years' imprisonment and \$1 million in fines apiece on the charge of keeping false books and records. They will be arraigned before U.S. District Court Judge Sonia Sotomayor.

In February, people familiar with the indictment said the Securities and Exchange Commission and the New York Stock Exchange were probing Mr. Coyle's affairs. SEC and NYSE officials declined to comment then.

"Look, we're not stupid," said a regulator familiar with the Coyle indictment. "There may be other problems."

The 63-year-old Mr. Lewis, who handled more than 400 individual accounts, is well known because he appeared on television programs and was widely quoted by newspapers such as USA Today. His indictment could be embarrassing for Shearson, the second-largest U.S. securities firm, and a subsidiary of American Express Co. Steven Faigen, a spokesman for Shearson, declined to comment on the indictment. He said Shearson was cooperating with the investigation.

Mr. Faigen also said Shearson was not a target of the probe. He denied there were problems in Shearson's compliance department.

Since 1989, four arbitration cases involving Mr. Lewis cost him and Shearson more than \$315,000, the Los Angeles Times said.

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
150	140	AT&T	0.00	0.0%	15	150	140	145	+5
120	110	Verizon	0.00	0.0%	12	120	110	115	+5
100	90	WorldCom	0.00	0.0%	10	100	90	95	+5
80	70	Sprint	0.00	0.0%	8	80	70	75	+5
60	50	Qwest	0.00	0.0%	6	60	50	55	+5
40	30	Southwest	0.00	0.0%	4	40	30	35	+5
20	15	Delta	0.00	0.0%	2	20	15	18	+3
10	8	United	0.00	0.0%	1	10	8	9	+1
5	4	American	0.00	0.0%	0.5	5	4	4.5	+0.5
3	2	JetBlue	0.00	0.0%	0.3	3	2	2.5	+0.5

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
100	90	Boeing	0.00	0.0%	10	100	90	95	+5
80	70	Lockheed	0.00	0.0%	8	80	70	75	+5
60	50	Northrop	0.00	0.0%	6	60	50	55	+5
40	30	Raytheon	0.00	0.0%	4	40	30	35	+5
20	15	General Dynamics	0.00	0.0%	2	20	15	18	+3
10	8	Boeing	0.00	0.0%	1	10	8	9	+1
5	4	Lockheed	0.00	0.0%	0.5	5	4	4.5	+0.5
3	2	Northrop	0.00	0.0%	0.3	3	2	2.5	+0.5
2	1	Raytheon	0.00	0.0%	0.2	2	1	1.5	+0.5
1	0.5	General Dynamics	0.00	0.0%	0.1	1	0.5	0.8	+0.3

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
150	140	Johnson & Johnson	0.00	0.0%	15	150	140	145	+5
120	110	Pfizer	0.00	0.0%	12	120	110	115	+5
100	90	Merck	0.00	0.0%	10	100	90	95	+5
80	70	Abbott	0.00	0.0%	8	80	70	75	+5
60	50	Amgen	0.00	0.0%	6	60	50	55	+5
40	30	Novartis	0.00	0.0%	4	40	30	35	+5
20	15	Roche	0.00	0.0%	2	20	15	18	+3
10	8	Schering-Plough	0.00	0.0%	1	10	8	9	+1
5	4	Novartis	0.00	0.0%	0.5	5	4	4.5	+0.5
3	2	Roche	0.00	0.0%	0.3	3	2	2.5	+0.5
2	1	Schering-Plough	0.00	0.0%	0.2	2	1	1.5	+0.5

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
100	90	General Electric	0.00	0.0%	10	100	90	95	+5
80	70	Westinghouse	0.00	0.0%	8	80	70	75	+5
60	50	Lockheed Martin	0.00	0.0%	6	60	50	55	+5
40	30	Boeing	0.00	0.0%	4	40	30	35	+5
20	15	Northrop	0.00	0.0%	2	20	15	18	+3
10	8	Raytheon	0.00	0.0%	1	10	8	9	+1
5	4	General Dynamics	0.00	0.0%	0.5	5	4	4.5	+0.5
3	2	Boeing	0.00	0.0%	0.3	3	2	2.5	+0.5
2	1	Lockheed	0.00	0.0%	0.2	2	1	1.5	+0.5
1	0.5	Northrop	0.00	0.0%	0.1	1	0.5	0.8	+0.3

12 Month High	Low	Stock	Div	Yield	PE	High	Low	Last	Change
100	90	3M	0.00	0.0%	10	100	90	95	+5
80	70	Eastman	0.00	0.0%	8	80	70	75	+5
60	50	Minerals	0.00	0.0%	6	60	50	55	+5
40	30	Amgen	0.00	0.0%	4	40	30	35	+5
20	15	Novartis	0.00	0.0%	2	20	15	18	+3
10	8	Roche	0.00	0.0%	1	10	8	9	+1
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3	2	Novartis	0.00	0.0%	0.3	3	2	2.5	+0.5
2	1	Roche	0.00	0.0%	0.2	2	1	1.5	+0.5
1	0.5	Schering-Plough	0.00	0.0%	0.1	1	0.5	0.8	+0.3

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MARKET DIARY

A Lack of Inflation Benefits Wall Street

NEW YORK — Stock prices, buoyed by recent government data that indicated inflation was at bay, closed higher Tuesday on the New York Stock Exchange for a second consecutive day.

The Dow Jones Industrial Average, which climbed 31.61 points Monday, rose 15.94 to 3,444.03.

Traders said the market was reacting to a weak report on March retail sales issued early in the day.

Record earnings from Merrill Lynch & Co. also generated demand for stocks, traders said.

Merrill Lynch, which reported a 57 percent increase in earnings, scored as much as 6 1/2 points, before closing up 4 1/4.

Stocks were higher until mid-afternoon, when weak demand at the Treasury sale of seven-year notes drove bond yields higher and pushed stocks back toward Monday's closing levels.

Philip Morris was the most-active New York Stock Exchange issue, rising 3/4 to 48 1/4.

Bank stocks climbed in the wake of low interest rates and better-than-expected results from MBNA Corp. and Signet Banking Corp.

Signet rose 3 1/4 to 60 1/4. The bank reported first-quarter earnings of \$38.3 million, up from \$22.1 million, exceeding analysts' estimates.

MBNA gained 3/4 to 26 1/4. The credit-card lender's first-quarter earnings rose to 42 cents a share from 36 cents, helped by fewer delinquencies and more cardmembers.

A Saudi Arabian prince said Tuesday he made a \$157 million profit with a large investment in Citicorp stock, the Associated Press reported from Washington.

A statement from Riyadh, the Saudi capital, said Prince Alwaleed Bin Talal al Saud, nephew of King Fahd, said he sold 8.9 million shares at \$30 per share on Monday. He bought the shares in late 1990 at an average price of \$12.40.

intervention from the Bank of Japan and by yen sales from Japanese insurers.

Against European currencies, the dollar dropped to 1.4450 Swiss francs from 1.4630 and to 5.3915 French francs from 5.3915. A modest French interest-rate cut did not hurt the franc.

The pound had a good day, rising to \$1.5585 from \$1.5465. In earlier London trading, the pound broke through a key resistance level against the mark, 2.4550 DM, and it rose to 2.4625 from 2.4508.

The currency was reacting to prospects for British economic recovery. A string of indicators over the next week was expected to underline the improvement.

Also in London, the peseta came under modest pressure after Monday's decision by Prime Minister Felipe Gonzalez of Spain to call a general election in June, five months earlier than required, because of a corruption scandal and a weak economy. The mark rose to 72.07 pesetas from 71.61.

The escudo also was pressured. The Bank of Portugal intervened when the mark reached 93.25 escudos, pushing the German currency down to 93.00 late in the day.

The sales report triggered a bout of dollar sales, and the sell-off picked up speed when the 1.5850 level was crossed, setting off stop-loss orders.

Although the dollar fell against the mark and other European currencies, it rose to 113.35 yen from 112.75. The dollar had hit a record low of 112.61 yen in Tokyo before being rescued by reports of heavy

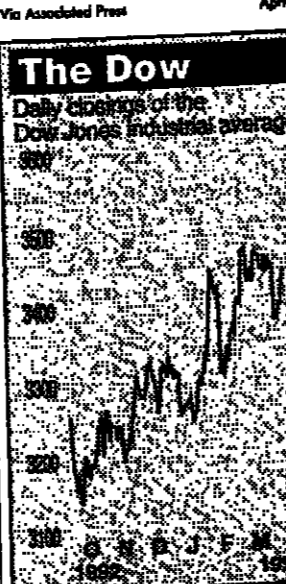


Table titled 'Dow Jones Averages' showing Open, High, Low, and Close for various indices including Industrials, Utilities, Chemicals, and Finance.

Table titled 'NYSE Most Active' listing top trading volumes for various stocks such as IBM, Microsoft, and Intel.

Table titled 'NYSE Diary' showing market status (Advanced, Declined, Unchanged) and volume for various sectors.

Table titled 'Amex Diary' showing market status and volume for the American Stock Exchange.

Table titled 'NASDAQ Diary' showing market status and volume for the NASDAQ market.

Table titled 'Standard & Poor's Indexes' showing performance for various market segments like Industrials, Utilities, and Chemicals.

Table titled 'NYSE Indexes' showing performance for various market segments like Industrials, Utilities, and Chemicals.

Table titled 'AMEX Stock Index' showing performance for various market segments like Industrials, Utilities, and Chemicals.

Table titled 'Dow Jones Bond Averages' showing performance for various bond categories like 30 Year, 10 Year, and 5 Year.

Table titled 'Market Sales' showing trading volumes for various market segments.

Table titled 'NYSE Odd-Lot Trading' showing trading volumes for odd-lot transactions.

Table titled 'S&P 100 Index Options' showing options data for the S&P 100 index.

Table titled 'EUROPEAN FUTURES' showing futures prices for various commodities like Wheat, Corn, and Soybeans.

Table titled 'Food' showing futures prices for various food commodities like Sugar, Coffee, and Cocoa.

Table titled 'Metals' showing futures prices for various metals like Aluminum, Copper, and Zinc.

Table titled 'Financial' showing futures prices for various financial instruments like Treasury bonds and interest rates.

Table titled 'Industrials' showing futures prices for various industrial commodities like Crude Oil and Natural Gas.

Table titled 'U.S. FUTURES' showing futures prices for various U.S. commodities like Wheat, Corn, and Soybeans.

Table titled 'Grains' showing futures prices for various grain commodities like Wheat, Corn, and Soybeans.

Table titled 'Livestock' showing futures prices for various livestock commodities like Cattle and Hogs.

Table titled 'Food' showing futures prices for various food commodities like Coffee and Cocoa.

Table titled 'Stock Indexes' showing performance for various stock indices like S&P 500, NYSE, and Amex.

Table titled 'Spot Commodities' showing prices for various spot commodities like Aluminum and Copper.

Table titled 'Dividends' showing dividend information for various stocks.

Table titled 'TO OUR READERS IN POLAND' providing information for Polish readers.

Table titled 'Metals' showing prices for various metals like Gold, Silver, and Platinum.

Table titled 'Livestock' showing prices for various livestock commodities like Cattle and Hogs.

Table titled 'Financial' showing prices for various financial instruments like Treasury bonds and interest rates.

Table titled 'Food' showing prices for various food commodities like Coffee and Cocoa.

Table titled 'Commodity Indexes' showing performance for various commodity indices.

Microsoft Announces 2 New Links... Microsoft Corp. and Compaq Computer Corp. announced a partnership Tuesday to bring products to market more quickly.

New Rules Ease Access to Thrift Assets... The administration significantly expanded Tuesday the opportunities for smaller investors to buy the real estate and other assets once owned by bankrupt savings-and-loan associations.

Merrill Lynch's Net Beats Forecasts... Merrill Lynch & Co. posted record first-quarter profit Tuesday of \$342.2 million, or \$3.02 a share, up 57 percent from its previous record set a year earlier.

Westinghouse's Profit Slips 1.5%... Westinghouse Electric Corp. said Tuesday that first-quarter earnings, excluding accounting changes, fell 4 cents a share from a year earlier.

For the Record... Coca-Cola Co. said first-quarter operating profit rose 48 percent to \$454 million, or 35 cents a share, helped by improved sales in the United States and other major markets.

U.S. FUTURES... WHEAT (CBOT) 1120 1120 1120 1120 1120. CORN (CBOT) 1120 1120 1120 1120 1120.

WORLD STOCK MARKETS... Amsterdam: AEX 1120 1120 1120 1120 1120. Brussels: BRX 1120 1120 1120 1120 1120.

Stock Indexes... S&P 500 INDEX (CME) 1120 1120 1120 1120 1120. NYSE COMP. INDEX (NYSE) 1120 1120 1120 1120 1120.

Commodity Indexes... CRUDE OIL (NYMEX) 1120 1120 1120 1120 1120. GOLD (COMEX) 1120 1120 1120 1120 1120.

Advertisement for 'Car Market Jumping in Europe' with a large graphic and text.

Advertisement for 'NASDA' with a large graphic and text.

Car Market Slumping In Europe

Compiled by Our Staff From Dispatches PARIS — The market for cars in 17 Western European countries declined by 17.2 percent in the first quarter of the year...

Slovaks Are Trying To Reclaim Past State Hands Back Property Confiscated by Communists

BRATISLAVA — In 1948, just after Jan Mursansky put his newly built sawmill operation, a Communist official walked into his office and said the mill belonged to the state...

EBRD Charity Begins at Home

By Erik Ipsen International Herald Tribune LONDON — The European Bank for Reconstruction and Development reacted coolly Tuesday to charges that in its first two years of existence it had proven far more adept at feathering its own nest than in boosting the economies of Eastern Europe...

triple its disbursements. "It shows that little by little the bank is growing," said Pierre Pissaloux, the EBRD director in charge of planning and budget...

The British paper, however, had not faulted the European Bank for the slow pace of its spending on itself. The main beneficiaries of its largesse have been its staff, consultants, building contractors and aircraft-landing companies...

Prague Halts Imports Of EC Farm Goods

Bloomberg Business News PRAGUE — The Czech Republic on Tuesday joined Poland and Hungary in suspending imports from the European Community, broadening an intra-European dispute over trade in livestock, meat and dairy products...

Republic, Poland and Hungary said that EC veterinarians had recently visited them and found their countries' livestock free of the disease. The dispute has flared up as the Czech and Slovak republics are set to begin renegotiating agreements with the EC on associate membership...

Investor's Europe table with columns for Frankfurt DAX, London FTSE-100, Paris CAC-40 and various stock indices.

Very briefly:

- French consumer prices rose by a provisional 2.2 percent year-on-year in March after a 2.1 percent rise in February, the National Statistics Institute said.

EUROPE: Two Sides of the Same Continent Are Worlds Apart on Trade

Western European leaders embrace the goal of open trade with Europe's East. He also calls for fully integrating the countries of the region into a wider European common market and advocates close political collaboration leading to EC membership for east European nations as soon as possible.

The bank, along with the EC Commission, will be pushing those aims at the conference. But some government leaders, particularly from the poorer, southern EC members, will be pushing back.

Eastern and Central European exports — even where sensitive products are involved. "The Community's trade and foreign ministers would do well to take note," Sir Leon added, "that a more prosperous Eastern Europe will mean more EC exports and more jobs."

IG Metall to Sue Employers

FRANKFURT — Germany's largest union, IG Metall, said Tuesday it was taking legal action against employers for unilaterally canceling wage contracts in Eastern Germany.

Steindl, said he had no intention of meeting Hans-Joachim Guschel, head of the sector's employer association, Gesamtmetall. The union said it was skeptical whether he could still have reasonable negotiations with such people...

Lotus Managers Set Buyout

LONDON — Management at the British sports-car maker Lotus Group is set to buy back the company from General Motors Corp. after seven years.

Elan model was launched in October 1989, Lotus has produced 3,857 of the cars. But at the moment, Lotus only builds the Esprit S4 and Sport 300 models with a work force of 300 on a former military airfield at Hethel in Norfolk, at the rate of one per day.

NASDAQ

Tuesday's Prices NASDAQ Index, New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Main NASDAQ table with columns for High, Low, Stock, Div, Yld, PE, etc. and multiple rows of data.

Shareholders do not generally consent to investment in Currency Indenture Funds. Investors are reminded that the value of and the income from investments may fluctuate and that changes in the price of exchange between currencies may have a separate effect, also causing the value of the Portfolio to increase or decrease.

# Alcoa Lifts Profit 26% In Australia

**Bloomberg Business News**  
**MELBOURNE** — Alcoa of Australia Ltd., the world's largest producer of alumina, reported Tuesday a net profit of 80.9 million Australian dollars (\$57.6 million) for the first quarter of 1993, up 26 percent from a year earlier.

Alcoa of Australia's largest source of revenues and profits is the refining of alumina to alumina. Alumina is used by smelters as the raw material to produce aluminum.

Alcoa said the better performance came despite lower aluminum prices and higher world inventories. The outlook is expected to remain difficult until there is more evidence of a sustained recovery in demand for aluminum, the company said.

The improvement in profit was due to the lower value of the Australian dollar and the favorable impact of increased capacity in its alumina refining operations, the company said.

Alcoa of Australia is 51 percent owned by Aluminum Co. of America, a unit of Alcoa International Holdings, and 48.25 percent held by the Australian nickel producer, Western Mining Corp.

Revenue in the first quarter rose 6 percent to 492 million dollars. Provision for taxes rose to 55.2 million dollars from 46.3 million dollars, while capital expenditure fell by 18.2 million dollars to 44.2 million dollars.

On March 30, the company declared and paid dividends of 80 million dollars for the fourth quarter of 1992, compared with 60 million dollars previously. Alcoa of Australia's total dividend payout for 1992 was 260 million dollars.

The company said it would lift its alumina production capacity at its Wagerup refinery by 200,000 tons to 1.7 million tons by mid-1994. That will increase the company's total alumina refinery capacity to 6.5 million tons.

# Where Profits Grow on Trees Japan Bids Up Prices of New Zealand Logs

**Wellington** — Japanese importers scrambling to grab a share of the Pacific Rim's dwindling log supplies have almost doubled the price they pay for New Zealand logs in the last six months.

"It's gone crazy in the last three months in particular," said Wayne Coffey, executive director of the New Zealand Timber Industry Federation.

He said that sawmills in Japan, which is Asia's largest log importer, "have been very nervous about supply." As a result, he said, "our foresters are having a cash harvest."

Tim Collinson, chief executive of New Zealand's state-owned Forestry Corp., said that price trends for all the country's wood products amounted to "an immediate and ongoing gold mine for New Zealand."

U.S. environmental-protection legislation and a resulting sharp drop in North American softwood exports, along with growing restrictions on harvesting logs from Southeast Asian rain forests, have caused North Asia's lumber mills to turn to other Pacific Rim log suppliers, such as Chile and New Zealand.

Japanese spot prices for top-grade pine logs have risen from \$23 for each 100 HDQ, as the Japanese measurement is known, in late September 1992 to an estimate for early April of more than \$40, said David Stanley, an analyst at the brokerage concern Doyle Paterson Brown.

A recent report commissioned by the New Zealand Forest Industry Council said that Asia's rising population and income levels and falling supplies of forestry products would continue to push prices higher.

With the industry's costs being largely fixed ones, most of the surge in prices has gone directly to the bottom line, boosting profits of publicly traded forestry companies as well.

Carter Holt Harvey, partly owned by International Paper Co. of the United States, is expected to continue to benefit, as the biggest part of its profit is derived from log and wood processing, both in New Zealand and in Chile.

Carter Holt's share price already has risen 26 percent since September.

But there is one factor that could tip the scales in favor of long-term price increase: the possible harvest of Siberia's huge larch forests. These vast tracts have been considered too expensive to cut and transport to Asian markets, but with prices for forestry products in the region still surging as the Siberian winter comes to an end, that perception could change.

# Trade Surplus Sets Record for Japan

**TOKYO** — Japan announced a record trade surplus Tuesday, three days before a summit meeting between Prime Minister Kiichi Miyazawa and President Bill Clinton at which the nations' trade imbalance will be high on the agenda.

Japan's surplus in customs-cleared trade soared 26 percent in March, to \$13.78 billion, from \$10.94 billion a year earlier, bringing the surplus for the latest fiscal year to \$111.34 billion, the Finance Ministry said.

The previous monthly record trade surplus was \$12.06 billion, set in September 1992.

Tokyo's surplus in trade with the United States widened to an unadjusted \$4.44 billion in March, from \$3.11 billion a year earlier.

The surplus for the year ended March 31 far surpassed Japan's surplus of \$88.23 billion in the previous fiscal year and its previous record of \$89.74 billion for the year ended March 31, 1987. Its surplus with the United States widened 20 percent on the year, to \$46.11 billion from \$38.46 billion.

The imbalance with the European Community widened 9 percent, to \$31 billion. Exports to the 12 nations edged up 2.9 percent to \$61.5 billion, while imports fell 2.6 percent to \$30.5 billion.

Japan's trade surplus with non-Communist Asian nations grew about 30 percent to \$44.8 billion, with exports rising 12.4 percent to \$19.8 billion while imports expanded 3.5 percent to \$75 billion.

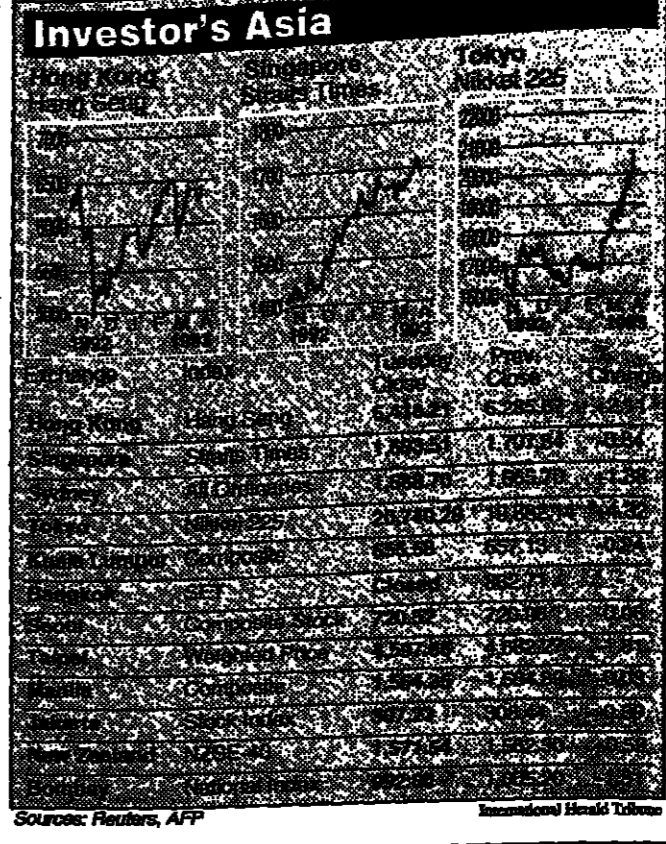
Among the reasons for the bigger trade gap, economists said, were the economic slump in Japan, which dulled the nation's appetite for imports, and the strength of the yen, which inflated the dollar value of Japanese exports.

As the figures were released, the governing Liberal Democratic Party unveiled a 13.2 trillion yen (\$116.87 billion) stimulus package that it said would double economic growth and cut the trade surplus.

The party said the package would ensure economic growth of 3.3 percent in the year that started this month, compared with estimated growth of less than 1.6 percent in the year just ended.

Before the summit meeting, Japan's surplus also will be a topic in talks opening Wednesday in Tokyo among the foreign and finance ministers of the Group of Seven leading industrial powers.

(Reuters, AFP, AP)



- ### Very briefly:
- Guangdong Province plans to sell \$150 million of five-year floating-rate notes in Europe this month, Union Bank of Switzerland said, in China's first foray into the continent's capital markets. Separately, Beijing placed an \$800 million order for 21 Boeing jetliners.
  - Harbour Centre Development Ltd., a subsidiary of the Hong Kong real estate developer Wharf (Holdings) Ltd., will buy City Place, a 40-story hotel and office property in the North Michigan Avenue commercial district of Chicago. The price was not disclosed.
  - Kobe Steel Ltd. and Onoda Cement Co. agreed to supply F.L. Smith & Co. of Denmark and Fuller Co. of the United States with technology to produce the OR series of roller mills used in making cement. Smith and Fuller dominate the global market for cement-plant orders.
  - Guangzhou has become the first place in China to allow private citizens to trade one foreign currency for another, the official Financial News said. The action was aimed at slowing down the black market for foreign exchange in the capital of China's richest province, Guangdong.
  - Taiwan averted an immediate petrochemical supply crisis after three of its major producers received fresh water needed to resume operations.

# High Rates Hit Taiwan Property Market

**TAIPEI** — Taiwan's once-booming real estate market, which saw prices triple in the late 1980s, is in the doldrums and the slump will last at least through the end of this year, analysts said Tuesday.

The market has been hit hard by high interest rates, an oversupply of real estate in major cities and the absence of the big speculators who pushed prices up sharply a few years ago.

"The property market was not good last year. And it will remain depressed this year," said Tony Lin, manager at the international real estate consultant, Jones Lang Wootton.

Only 36 percent of the apartments and office buildings offered in Taipei, Taipei County and Keelung City were sold in the first quarter of this year, according to a survey by Wei Ming Real Estate Investment Consultants Co.

The ratio was 69 percent in the first quarter of 1992. "This year's first quarter was a big flop," said the company's president, Tsai Wei Ming, adding that a recovery could not begin until late 1994.

Housing prices have fallen 10 to 20 percent since early last year and rents by about 10 percent, analysts said.

Analysts attributed the slump partly to oversupply caused by developers rushing to beat the introduction of new rules on land usage. From March 3, the government has restricted the use of basements for commercial purposes.

Many private construction firms scrambled to build apartment and office buildings just before March 3. "They ignored actual demand and so experienced a sales slump," said Philip Shen, manager at Pacific Construction Co.

High mortgage rates, now averaging 10.5 to 11 percent, are also deterring buyers, analysts said. Domestic interest rates are under upward pressure and few analysts see the prospect of a cut in mortgage rates any time soon.

Although property prices have been falling, they are still well above levels reached in the speculative boom of the late 1980s, so many properties remain priced out of the reach of middle-class buyers.

An average three-bedroom apartment in a middle-class suburb of Taipei cost about 9 million Taiwan dollars (\$345,000).

# Free-Trade Zone Planned

**TAIPEI** — Taiwan is to build its first free-trade zone along the central west coast in an effort to turn the island into a regional operation center for multinational companies, a top economic official said Tuesday.

A free-trade zone covering 2,000 hectares (4,940 acres) will be situated on an islet off Yulin County in central Taiwan, said the director of the Industrial Development Bureau, Wang Jue-min.

Construction of the planned zone, equipped with an international airport and deep-water facilities, is expected to be completed by 1997, Mr. Wang said.

# ASIA: Clinton's Aggressive Criticism of Japanese Trade Policy Gets a Sympathetic Hearing in East Asia

(Continued from page 1)

Assembly and a key policy adviser to President Kim Young Sam. "It gets to be a friendship and a philosophy issue."

But the issue is more complicated in Asia because many nations, especially South Korea, are also quite protectionist. Several of the Asian "tigers" — as these prosperous countries are known — maintain the incontinent position of relying heavily on exports while keeping their own markets relatively closed to others.

Japanese officials argue that Japan's access in selling a limited range of industrial goods to South Korea obscures the fact that it is all but impossible for Japanese companies to sell consumer goods, from autos to stereos, in Korea. They also complain that the surpluses are more a result of Japanese customers' rejecting

shoddy Korean goods than of trade barriers.

The problems created by Japan's surpluses are acute in South Korea, which is struggling to revive a faltering economy and is clearly feeling a touch of wounded pride in finding itself dependent on its ancient rival, Kim Young Sam, the new president, won election in December partly by playing on a perception that the economy was losing its competitiveness. The economy grew by 4.7 percent last year, its worst showing since 1980. The trade deficit with Japan is popularly viewed as another measure of that lost competitiveness.

There is also some irony in the fact that South Korea has consciously modeled its export-driven economy on Japan's, with one important difference: Japan never permitted its manufacturers to become so dependent on foreign suppliers.

During better times in 1988, South Korea boasted an overall surplus of \$8.9 billion, including a \$3.9 billion surplus with Japan. By last year, however, trade had deteriorated to a deficit of \$3.1 billion, chiefly because of a \$7.9 billion deficit with Japan.

In South Korea, the turnaround was the result of a large increase in imports of Japanese machinery, while Japanese purchases of Korean goods declined. Sales of inexpensive Korean-made consumer products have suffered in part because of the economic slowdown, and partly because they have increasingly been depicted as poor in quality.

Many South Korean executives and policymakers acknowledge that part of the solution lies in Korean industries' developing higher quality products that are more

attractive to demanding Japanese consumers.

But they also say several years of trade talks have removed few barriers to the export of Korean goods to Japan. Mr. Lee of the Ministry of Trade and Industry complained that efforts to open up Japanese markets for foreign-made leather and footwear, for instance, had been fruitless.

"We've been sending export promotion missions to Japan since 1983, but the results are nominal," Mr. Chih of the Korea Japan group said.

And because Japanese equipment and technology are so critical to South Korea's exporting capability, little thought is given to restricting the purchase of these goods as retaliation. The buying just marches on.

Japan has used a variety of methods to expand its trade throughout East Asia. It sends more than half its \$13 billion a year

in foreign aid to East Asia, and that helps build goodwill that ultimately benefits commercial relations. Japanese companies are also by far the largest foreign investors in Asia, as they move factories to countries with lower wages.

Perhaps more important, some of Japan's aid to East Asian countries for years had to be used to purchase goods and services from Japan. Korean experts say that some of this money was used to buy Japanese manufacturing technology.

But what has particularly angered some manufacturers is what they call Japan's reluctance to sell its most advanced manufacturing technologies.

"Japan is afraid of the boomerang effect, that products from Korea made with their technology would come back and take over their markets," Mr. Lee said.

— JAMES STERNGOLD

# Seoul Reads Blueprint To Liberalize Economy

**SEOUL** — South Korea will outline its long-awaited five-year economic plan for deregulation and liberalization this week, an official of the Economic Planning Board said Tuesday.

Chang Seung Woo, director-general of the EPB's Economic Planning Bureau, said the government would seek comments from academic, business and public groups over the next three months and aimed to have the plan finalized by late June.

News reports said officials would meet to add final touches to the plan on Wednesday and were due to brief economic ministers on Friday.

Mr. Chang gave no details but sought to allay suspicions that the government was back-peddling on its stated aim of lifting the heavy

hand of state intervention in the economy.

The suspicions, widespread in business circles, were fanned when the government published a 100-day economic revitalization plan last month to kick-start the economy.

It cut interest rates, froze commodity prices and civil-service wages, extended cheap policy loans to small businesses and brought forward a number of large-scale public works — in short, a program of interventionist rather than liberalization.

Speaking at the Foreign Correspondents' Club in Seoul, Mr. Chang described the 100-day plan as a quick boost for the economy to ensure it could cope with the strains of the five-year overhaul.

Analysts say 30 years of micro-management have resulted in structural problems as the economy grows more complex.

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1.20	1.10	1.15	1.18	0.80	0.75	0.78	0.80
0.80	0.75	0.78	0.80	0.50	0.45	0.48	0.50
0.50	0.45	0.48	0.50	0.30	0.25	0.28	0.30
0.30	0.25	0.28	0.30	0.20	0.15	0.18	0.20
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Weather's Impact on Expanding Markets

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# Private Banking

## Southeast Asian Wealth Pours Into Coffers of Expanding Institutions

By Michael Richardson

SINGAPORE — As personal fortunes have multiplied in Southeast Asia on the back of the region's rapid economic growth over the past decade, private banking has become a boom industry, although a low-key one.

The leaders in the field are a handful of European, American and Asian banks that offer wealthy customers personal access to a global network and a wide range of financial services.

For example, assets under management in the Asia-Pacific division of Citibank's private banking operation increased to \$13.2 billion in 1992, from \$6.7 billion in 1989.

In the same period, the division's private banking revenues rose to almost \$141 million, from \$67.4 million.

"We are dealing with economies in Southeast Asia that have had much more rapid development than regional clusters almost anywhere else in the world," said Namoo G. Panamani, an Asia-Pacific Division executive of Citicorp's private banking group.

To capitalize on this growth, Credit Suisse recently moved into new premises in Singapore's UOB Plaza, taking up five-and-a-half floors of office space together with its brokerage house subsidiary, CS First Boston, and Clariden Asset Management, another financial services unit.

THE bank plans to more than double its private banking staff, beef up its fund management and research expertise for the region and offer clients local portfolio management services.

"We see a vast potential in expanding our private banking business" in Southeast Asia, said Alfred Grenell, an executive board member of Credit Suisse. The business would grow, he added, as a new breed of entrepreneurs emerged in the region who required "specialized banking services to manage and build on their wealth."

Mr. Panamani said that Asian entrepreneurs turn to private bankers for financial advice and asset management because so much of their own time is taken up with corporate or professional business interests.

"They have got such high rates of return that they do not want to allocate time to managing their own wealth," he said.

Behind the private banking leaders in Southeast Asia are other banks with a lesser international reach. They claim to offer more specialized services.

A number of major American and European brokerage houses have also stepped into private banking in recent years, seeing the business as a natural outgrowth of selling stocks and bonds and providing investment advice and asset management services.

AS the leading financial center in Southeast Asia, Singapore is the region's private banking hub. The island-state offers a safe haven for offshore accounts and levies no taxes on them.

Most of the money that has poured into banks and brokerages through private banking channels comes from successful businessmen and professionals in countries such as Indonesia, Malaysia, Thailand and the Philippines.

Many of them run companies that are controlled by their families. They tend to look for security, sound financial advice and long-term capital appreciation, rather than short-term profit.

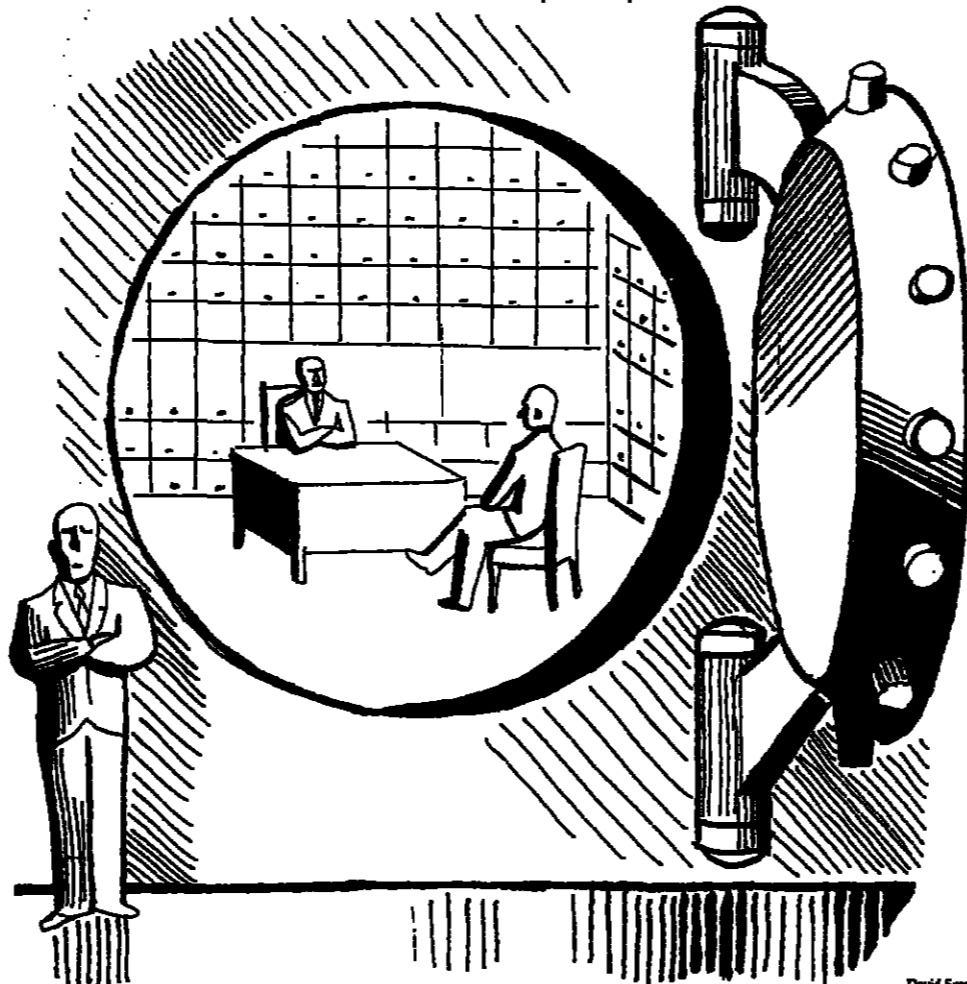
"In Southeast Asia, it's the families that control the businesses and private banking is really about relationship management," said Marcol Kreis, director of private banking at Swiss Bank Corp. in Singapore.

Many of the most successful family enterprises are run by Chinese, although an increasing number of non-Chinese Southeast Asians are breaking into the ranks of the very rich and turning to private bankers for wealth management services.

The 24 million Chinese who play a key role in business, trade and investment in Southeast Asia are thought to have assets worth at least \$200 billion.

A typical customer would place funds worth at least \$1 million with a private banking unit. He might want to open a time deposit in Singapore or Hong Kong, buy stocks in Malaysia and New York, trade in foreign currencies, buy bonds in Europe and real estate in Australia, make arrange-

Continued on page 18



David Sims

## Choosing the Benchmark of Success

By Martin Baker

PARIS — Cynics say that discretion and service, two of private banking's most touted virtues, work both ways. On the one hand, the benefits of having a financially literate person working for you, especially one who will not treat your financial plans as cocktail party gossip, are considerable. On the other, how can you be sure that the person to whom you are writing those — usually very large — checks is anything more than a con-

man in an expensive suit?

The question here boils down to this: How adept are private bankers at managing assets?

Private banking is, as its name suggests, private; private bankers do not by definition publish the results they have achieved with the portfolios of various clients, so a commentator or journalist cannot answer the question directly. But it is possible to suggest the key criteria on which to judge the return on assets achieved by private bankers should be judged?

Continued on page 20

New York-based chief investment officer of Chase Manhattan Private Bank. "We look after myriad different clients in myriad different locations. They vary in their objectives, and in their tolerance to risk. Most of the time what we're trying to beat is the return on cash."

Mr. Richardson points out that as U.S. interest rates are at their lowest for almost 30 years, it has not been unduly difficult to beat a cash return of 2.5 percent per annum. "That means people are creeping up the risk spectrum, out

There is no single answer to the question of which benchmark private bankers' performance should be judged," said Mark Richardson,

Continued on page 20

## Competition Heats Up As Services Go Global Switzerland Clings to Top Status But Other Centers Play for Share

By Conrad de Aenlle

GENEVA — From the outside looking in, private banking seems a funny name. Not many years ago it was called Swiss banking, and that made sense: a handful of rich families in this Alpine valley taking care of the money of other rich European families.

Now bankers around the world — in European, Asian and American financial centers, and in offshore tax havens — offer asset management and protection services to wealthy clients, who are less likely to be Europeans. Indeed, by one banker's estimate, Asia accounts for 26 percent of the multibillion-dollar market in what has come to be called — despite its expansion in size and scope — private banking.

The name, of course, refers to the confidentiality that has always been the keystone around which the relationship between banks and their clients was built. Without secrecy, it is believed, there can be no safety — and much less business.

The secrecy factor that has always worked to the enrichment of Swiss bankers has lately turned against them. Regulators, eager to clamp down on money laundering, are chipping away at safeguards intended to assure confidentiality. Form B accounts, in which a third party, such as a lawyer, opened an account on someone's behalf, were done away with two years ago. Banks must now be able to identify an account's true owner.

A new set of regulations, drawn up by the Swiss Banking Commission and expected to be approved in coming months by parliament, would compel bankers to take a much more active role in discovering criminal activity in their midst by requiring them to report suspicious transactions to authorities.

The goal, said Ernst Thoenig, a lawyer for the Swiss Ministry of Justice who helped to draw up the proposed law, is "a better criminal arsenal to fight against organized crime."

Some bankers say the law would be an attack on them, as well: Banks would con-

time to face stiff sanctions for divulging confidential information entrusted to them, yet in certain cases they would face penalties for keeping the same secrets.

Some say it is for the best, even though it could mean turning away business to be on the safe side.

"If we smell something fishy, we may have to refuse the client," said Charles Pictet, a partner at one of Geneva's oldest banks, Pictet and Co. But he adds, "We don't need this kind of money," and says he is "very happy" about the law.

Other members of Geneva's banking establishment are not pleased at all. Luc Denis, managing director of J. Henry Schroder Bank, said he thinks regulators have "a complex" that has been "translated into excessive aggressiveness of juridical power." He said, "This has reached such a level that Swiss bankers are scared and the final result is that we are chasing away from Switzerland substantial amounts of good money that is just looking for safety."

It has been chased to a number of locales virtually unknown for providing financial services until a few years ago.

"A lot of money has left the country for other centers like Liechtenstein, Luxembourg, Guernsey and Jersey," said Mr. Denis. "Maybe as a percentage of funds managed in Switzerland, it's not enormous, but it certainly has stopped the positive inflow."

SWISS banks still dominate the market, holding more than 30 percent of worldwide private banking assets, according to figures compiled by Chase Manhattan Private Bank in Geneva. But other centers are catching up.

London, for instance, accounts for roughly 15 percent of worldwide assets, the Chase data show. One international accountancy firm estimates that assets kept in London's private banks are growing by 10 to 15 percent per year. Banks in Luxembourg, known as an "onshore-offshore" center in Europe because of its secrecy and tax advantages, hold 6 percent of the global total.

Continued on page 19

## U.S. Banks Discover What Makes the Rich Special

By Lawrence Malkin

NEW YORK — No one is more blunt than Americans about what makes the rich different ("They have more money," goes the old wisecrack), but American banks are just waking up to this truism and trying to profit from it.

In an industry dominated by financial fashions, competition is fierce to offer one-stop financial shopping to the rich, and each bank seeks to carve out a market niche with its own

distinctive mix of private banking's basics — protecting the assets, feeding the credit demands and catering to the personal whims of millionaire clients.

Of the \$2.8 trillion worth of personal money under management in the United States, small investment boutiques control 56 percent, full service banks 23 percent, banks only 7 percent, and insurance companies 4 percent. Since the Glass-Steagall Law barred banks from invest-

ment 60 years ago, private banking has meant large, quick, often unsecured loans to the rich for a quick killing on an inside deal in land,

stock or their own companies. Asset management was only fiduciary and usually stodgy.

But looser regulation has freed banks to create or take over a portion of the investment boutiques as subsidiaries, and the business is changing fast. David Palmer, a New York consultant to private banks, estimates recent annual growth of 15 to 20 percent in the United States.

But some commercial banks are only beginning to offer the complete range of services

Continued on page 20

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Private Banking / A Special Report

New Offshore Havens Need to Pass Stability Test

By Aline Sullivan

LONDON — Offshore tax havens are mushrooming as governments from Mauritius to Malaysia compete for the well-heeled customers that have made the fortunes of established centers like Bermuda and Monaco.

and flow. Both the Isle of Man and the Cayman Islands are working hard to repair the damage caused by investment scandals several years ago and the BCCI collapse.

Most of the major centers offer similar tax advantages, said Peter Cussons, a partner at London accountants Price Waterhouse.

costs about \$3,500, while annual costs, for the registered office, agent and government fees, total about \$700.

In all cases, appointing a professional trustee makes the proposition more expensive: An offshore trust director charges roughly \$1,000 a year.

People should be very careful when they set up an offshore trust, said Mr. Sutton.

Other centers have made their reputations in the niche markets. The Cook Islands in the Pacific are popular with U.S. investors eager to protect their assets from potential lawsuits or divorces.

Other centers have made their reputations in the niche markets. The Cook Islands in the Pacific are popular with U.S. investors eager to protect their assets from potential lawsuits or divorces.

The British Virgin Islands have been successful in attracting clients in recent years because the so-called BVI funds are seen as both secure and cost-effective.

The political and financial stability of an offshore center should be of paramount importance to a potential investor along with its reputation for honest dealings, said Nick Sutton, of the financial adviser RFLC, a subsidiary of London insurance broker Robert Fraser Group.

One of Mr. Sutton's clients, a resident in Spain with assets of more than \$1 million, recently chose the British Virgin Islands as the location of his trust company. The trust will be managed in Geneva.

We first thought Gibraltar would be the most convenient location but the client said no, said Mr. Sutton.

According to Mr. Sutton, the perceived security and transparency of a center is particularly important for investors who plan to borrow, using funds in their trusts as collateral.

Some tax havens, like Switzerland, are eminently respectable albeit expensive. Others are seeing their reputations ebb

Lending Is Best-Kept Secret

By Martin Baker

PARIS — Few people tend to associate private banking with clever lending, to increase someone's cash flow if they need more money for their business.

And collateral — alias wealth — is, of course, vital. Ms. Talbot cites a recent case of a client who wanted to borrow to buy a plane.

Private banking means different things, said Charles Tracy, managing director of N.M. Rothschild & Sons (C.I.) Limited.

We have a whole team of people devoted to lending, said Deborah Talbot, senior vice president

and group executive of Chase Manhattan Private Bank (U.S.). "We don't do commercial lending, to increase someone's cash flow if they need more money for their business. What we will do is lend for whatever purpose — providing the collateral is good."

Chase Manhattan has separate teams to look at risk management of the asset to be used as collateral for the loan, and another set of specialists to look at currency factors.

Perhaps ironically for what has been a major area of innovation and growth in private banking, Ms. Talbot considers lending part of the old European style of business in which relationships were more personalized.

Ms. Talbot also sees lending as a potential way of opening up a good relationship with a client. "If we handle a difficult loan for a client, that's often a good introduction to other things."

Mayfair flat, Mr. Tracy says that an established client can expect a quick turnaround on a loan secured against his account with the bank.

The minimum transaction level that N.M. Rothschild & Sons would consider is £100,000 (\$150,000). Given the conservative attitude most bankers take toward the collateral value of paper securities, the client would need to have a sizable portfolio, of perhaps 10 times the value of the loan.

Charles Tracy, managing director of N.M. Rothschild & Sons (C.I.) Limited, sees lending as part of the overall service his bank provides. "We take a look at a client's whole financial situation, and if a client we know comes to us wanting a loan for a property in France, we can act very quickly in assessing the property and advising on the fiscal consequences of a purchase."

REBOR FALLE at ANZ Grindlays Bank (Jersey) Limited has a similar view. He sees structuring clients' liabilities and lending to clients as part of an integrated private banking service.

With lead with asset management and protection, but lending is very much part of the total service, even though for us it's a peripheral activity.

There's a curious phenomenon with people who are wealthy or semi-wealthy, said a Zurich-based private banker who insisted on anonymity. "And that is when they somehow find themselves in debt, it often turns out to be sizeable debt. With some people, the more money they have, the more chances they take with it, often against the advice of their banker."

When some of those chances don't turn out so well, especially if you have a long-standing relationship and basic faith in the client's character, a good banker has to be there to help pick up the pieces."

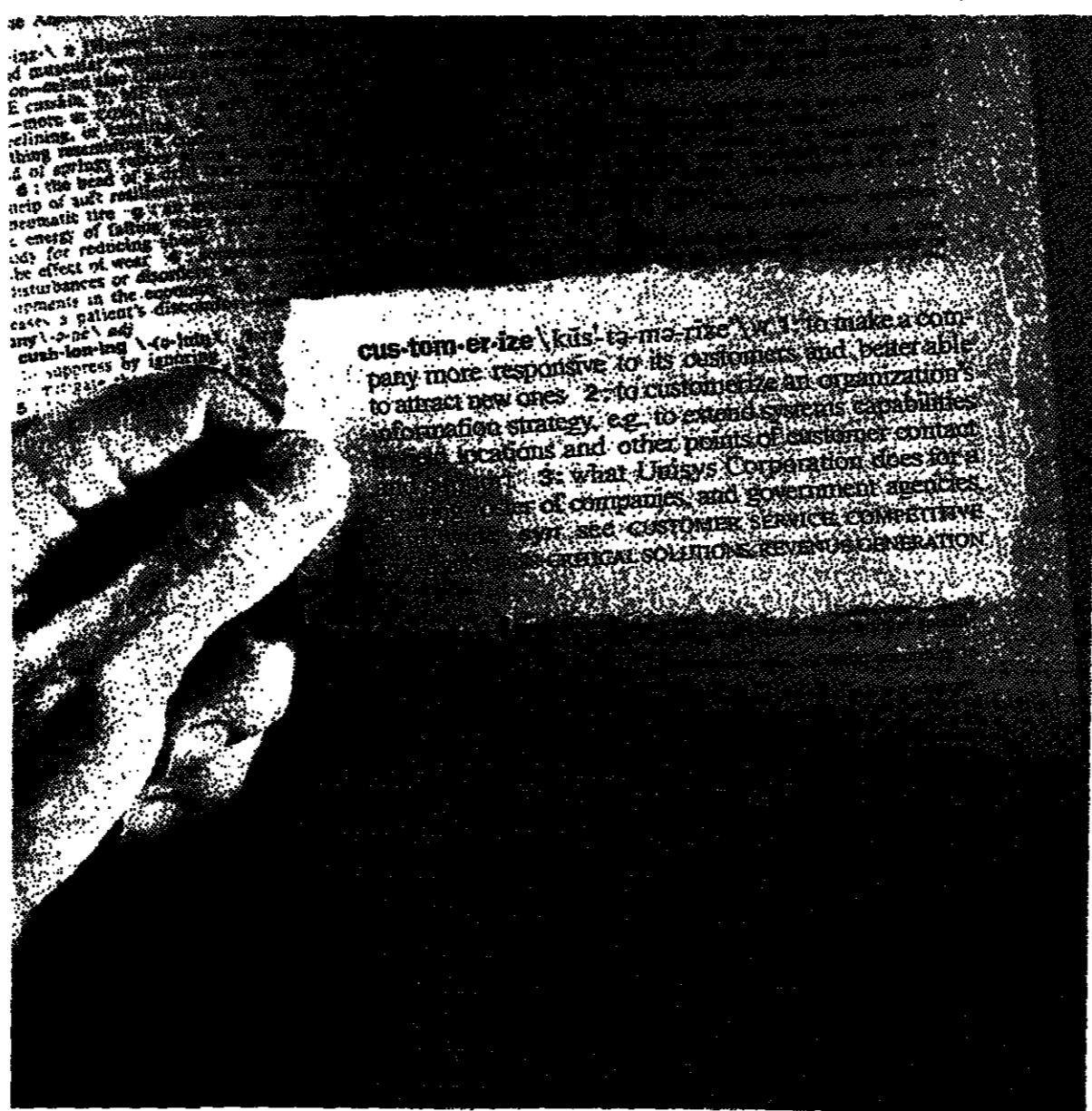
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Private Banking / A Special Report

# In Channel Islands, Sterling Loses Weight

By Jacques Neher

**P**ARIS — Once the private reserve of the English rich, the Channel Islands are rapidly taking on the multiple foreign accents of a global offshore banking center.

Although the British presence is still strong, the private banks of Guernsey and Jersey say they increasingly are looking to Continental Europe, Africa, and the Middle East for their clients.

"We're getting business from Alaska to New Zealand," said John Roper, head of Guernsey's Financial Services Commission. He noted evidence of new or increased capital flows related to political unrest or uncertainty, from Hong Kong, Eastern Europe, Russia and Ukraine. And these are the markets that are feeding the rapid growth of private banking on the islands.

"In the 1960s, 100 percent of our business came from British clients, but it's only around 20 percent now," Mr. Roper said. "I'm sure the U.K. share of the business will continue to diminish. I don't see any end to the trend."

One indication of this shift is the currency mix of deposits. At year-end, only 32 percent of total deposits was in sterling, while 68 percent was in other currencies, mostly dollars. A year earlier, 51 percent was in sterling, versus 49 percent for other currencies.

On Jersey, officials noted a similar shift, with the percentage of sterling in accounts slipping from roughly half in 1991 to about two-fifths of the share last year. At the same time, both islands experienced a boom in business last year, and bankers say it is continuing.

Guernsey reported \$27 billion (\$40.5 billion) in total deposits on the island at the end of 1992, up 69 percent from the end of 1991. Mr. Roper said about half of the gain was due to the effects of the exchange rate crisis last fall in which the pound left the European exchange rate grid and was devalued. The rest, he said, was due to "real growth."

However, rivals on Jersey say much of Guernsey's deposits growth was mostly due to the activities of one institution, Credit Suisse, which, they say, transferred fiduciary business from other offices to Guernsey.

The number of banks operating in Guernsey increased by six last year, to 76. They include Rabobank of the Netherlands and BW Bank of Germany. Deposits in Jersey grew 23 percent in 1992 to £53.4 billion. Jersey issued five new bank licenses in the past six months, bringing to 68 the number of banks operating at year-end.

Roger Bignell, deputy director of Jersey's Financial Services Department, attributes the banking increase to abandonment of the island's "zero jobs growth policy." This policy, instituted after the boom of the late '80s, "had sent the wrong signal," he said. Total bank deposits, in fact, had decreased slightly from 1990 to 1991 as result of the policy.

Both islands have attempted to position themselves as "high-quality" offshore banking centers, accepting only those institutions ranking among the top 500 internationally.

Mr. Bignell said banks must be relicensed to operate each year on Jersey, whereas many other offshore centers give out permanent licenses. "This gives us the opportunity to review them financially and check up on how they operate," he said.

John Mann, executive director of Morgan Grenfell Channel Islands Ltd. on Guernsey, said that both clients and financial advisers "feel very comfortable" dealing with institutions on the islands, assured that they are watched closely by authorities.

The target market for Guernsey's banks, he said, are the "seriously rich" — people with minimum available assets of £50,000, and perhaps as much as £500,000 or £750,000.

The banks offer a range of investment services, including international financial planning, trusts, asset management and company administration.

In addition to their geographic proximity to Continental Europe — about 20 miles (32 kilometers) from the French coast — and their offering of increasingly sophisticated financial services, the Channel Islands, like other offshore centers, can draw business by offering a combination of secrecy and tax advantages.

A banker said the islands promise "tax efficiency," a euphemism for the fact that the islands do not tax interest, capital gains and inheritances of nonresidents. There is no value-

added tax applied to fees for professional services, keeping financial management costs down. A promotional brochure for Jersey boasts that trusts are "frequently established to shield assets for the purpose of deferring or avoiding tax elsewhere."

The brochure adds that "confidentiality is assured for those engaged in legitimate business." Bankers say their code of banking secrecy keeps out nosy foreign tax authorities, unless the authorities can make a clear case for a client's impropriety. A tax probe "has to be cut and dried, and not just a fishing trip," said an official with a British bank who asked not to be named. "We have to put the customer's interest first."

Looking ahead, Channel Island bankers see increased business coming from Europe, and they are even debating whether they should divorce themselves from the U.K.'s time zone, and join the Continent, an hour ahead.

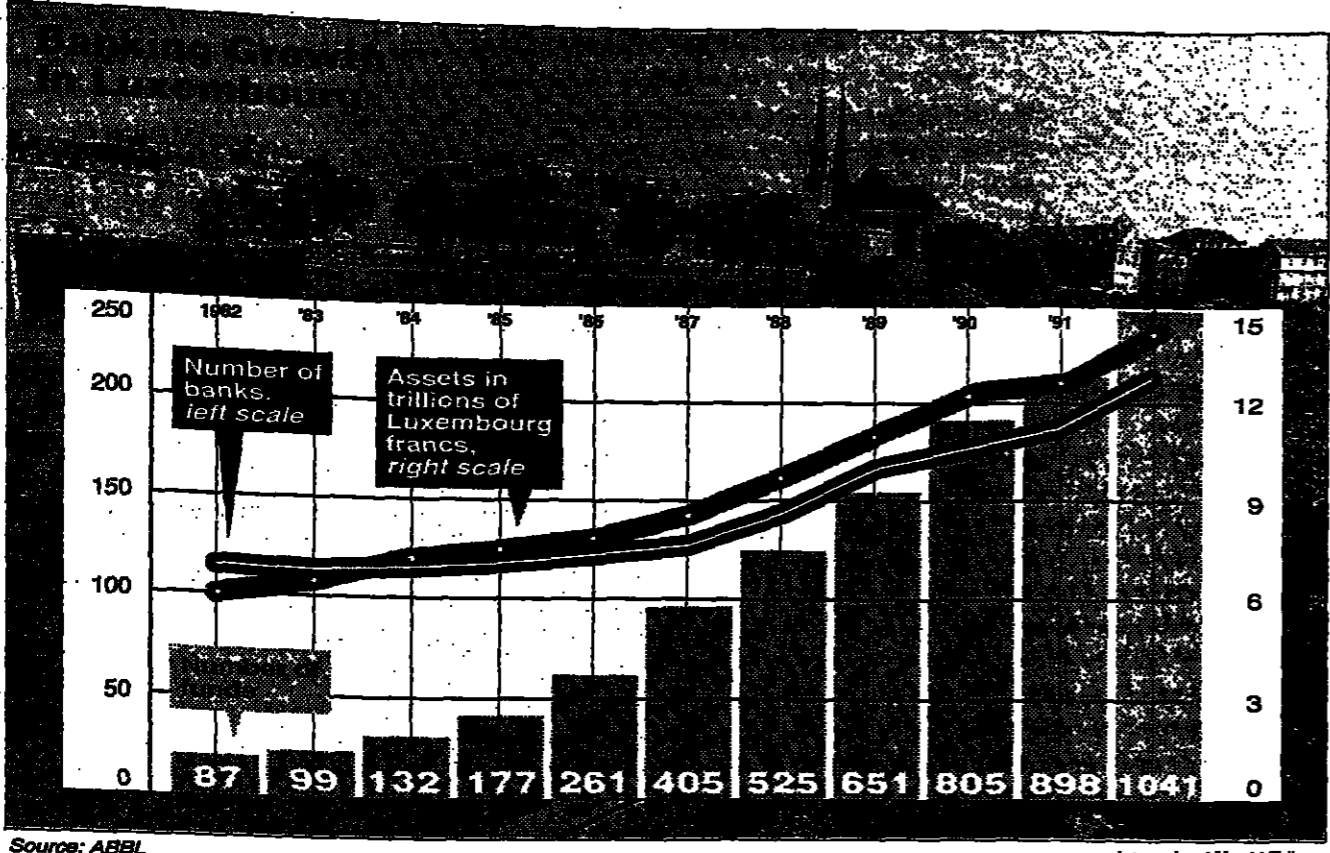
"We see ourselves as offshore Europe, the offshore center of the future," said an official of an American bank established on Guernsey.

**I**N particular, the bankers say they expect to benefit from the increasing pressure on Luxembourg to surrender its own offshore status and come into line with the tax rates and fiscal enforcement policies of its partners in the European Community.

"There are doubts about the future of Luxembourg, and I believe their situation may change over the next three or four years," said the American banker. "I can't see the European Community continuing to allow Luxembourg to amass massive profits to the detriment of European tax authorities."

"We're watching with interest whether Luxembourg will retain its privileged position," said Mr. Bignell of the Jersey banking authority, saying that a new European debate on the subject could prompt capital flows from Luxembourg to the Channel Islands. He noted that interest increased from Swiss clients as a result of the debate over whether Switzerland should apply for membership in the Community.

JACQUES NEHER is a journalist based in Paris.



# German Savers Line Up in Luxembourg

**P**ARIS — Belgian dentists, long reputed to be the main clients of Luxembourg banks, may now have to wait in line at the banker's window behind their German colleagues.

Indeed, Luxembourg's private banking industry has experienced a boom of new customers and banks as a result of Germany's new withholding tax, which has prompted a huge flow of capital to the Grand Duchy in recent months.

Much of the withholding tax bonanza, which is estimated at 80 billion to 100 billion Deutsche marks (\$50 billion to \$62.5 billion), has been captured by German banks, which have lost no time setting up branches in Luxembourg over the past year and have even encouraged their German clients to take their money across the border in order to avoid the 30 percent levy, which went into effect in January.

After registering relatively slow growth in 1990 and 1991, Luxembourg in 1992 granted operating licenses for 26 new banks, bringing the total by year-end to 213 institutions, with assets of 14.4 trillion Luxembourg francs (\$360 billion), up 12 percent. Roughly half of that business stems from private banking.

And the inflow continues, though at a slower pace. Since January, four more institutions have opened for business.

Nineteen of the new banks were branches of German institutions, bringing the total of German banks established in Luxembourg to 62, from 43 a year earlier.

"Some people think the capital movement will continue to increase but I don't really see the reason," said Lucien Thiel, general manager of the ABBL, the Luxembourg banking association. "The people who wanted to move their money here to avoid paying tax have already moved it."

Cautiously, he noted, German customers who are not even subjected to the new withholding tax — the ceiling was set high — also have brought their funds to Luxembourg.

"It's not only tax avoidance that brings them to Luxembourg," he said. One reason, he suggested, was that perhaps middle-class customers believed that the ceiling would ultimately be reduced.

Another reason, he said, is Luxembourg's "brand image" as a financial center.

The capital inflows greatly increased last fall, boosted by relatively aggressive marketing

and advertising campaigns — from both German and Luxembourg banks — that clearly communicated to German savers and investors that they could evade the withholding tax if they transferred their funds to Luxembourg.

The marketing efforts tweaked the German government, and Luxembourg's ABBL, hoping to diffuse a potential political conflict, issued an advisory to its members to back off.

"We made a recommendation to our members to take a lower profile, telling them that the money would come anyway so why should we go out of our way to upset the German authorities," Mr. Thiel said. "There was a high degree of discipline. They immediately stopped."

Even Luxembourg's state-owned State & Savings Bank was one of the institutions that retreated after receiving "very informal" pressure from the Luxembourg government, said Roland Werdel, a private banking official. "There was a certain political risk, and Luxembourg banks didn't need to be aggressive," he said.

He guessed that German clients now account for half of the bank's private banking business, while Belgian customers represent only 30 percent.

A spokeswoman for Banque Générale du Luxembourg said her bank took a low-key approach. "We don't aggressively advertise in France or England, so why should we in Germany," she said.

While the German Finance Ministry is losing out on tax proceeds, the Bundesbank should be less concerned by the capital outflow, said Mr. Thiel, because the money has largely been funneled back to Germany in the form of mutual funds invested in German securities.

Some 36 billion marks poured into German funds managed in Luxembourg, more than half the estimated total inflow, he said.

At year-end, there were 1,041 different funds (umbrella funds counting as one) registered in Luxembourg, for total assets of 6.8 trillion Luxembourg francs, a 62 percent leap from the 4.1 trillion francs at the end of 1991. The majority of Luxembourg's private banking deposits end up invested in such funds, Mr. Thiel said.

Unlike other offshore centers, Luxembourg has never sought to position itself to attract rich high-rollers, but rather moderately wealthy risk-averse clients for whom diversified investment funds will hold a natural attraction.

"Our customers are conservative and they

don't want to take high risks, which is one of the reasons they come to us," said Mr. Werdel of the State & Savings Bank. "We have no minimum deposit requirement, but our average client has 3 million to 10 million Luxembourg francs."

At Kredietrust, which handles most of the private banking operations for Kredietrust Luxembourg, Marc-Hubert Henry, managing director, said his target market is the "middle rich" — a person 40-50 years old with a minimum 20 million francs to invest. That threshold was boosted last year, from 10 million francs.

Though wealthier, this customer is still conservative and will be mostly interested in putting the money in investment funds, Mr. Henry said.

**T**HE bank offers private banking clients three approaches to fund investments: conservative, balanced and "personal strategy." The conservative funds are invested entirely in bonds and cash deposits; the balanced funds have a mix of equities, bonds and cash deposits; and in the personal strategy funds, the bank will modify a conservative or balanced fund's asset mix to compensate for certain currencies or markets in which the client already is well exposed.

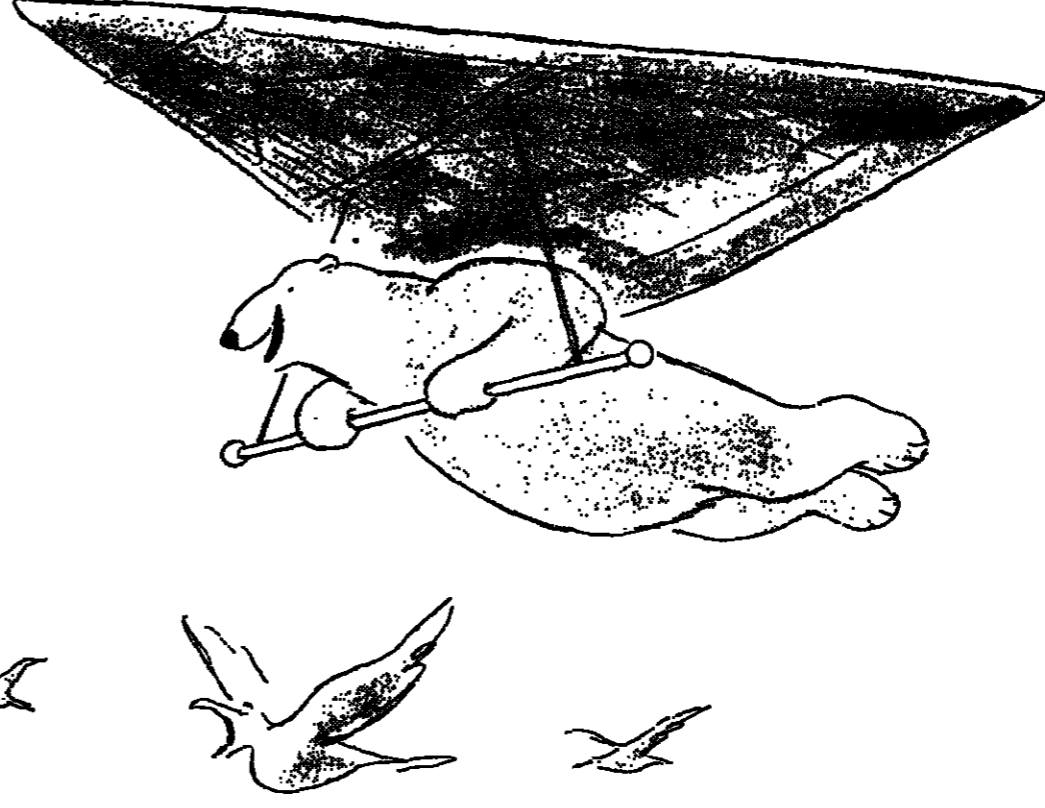
"The objective is to reduce costs and be able to pass part of the savings on to the customer in the way of a lower management fee," Mr. Henry said. Meanwhile, Luxembourg's banking regulatory continues to argue against any regulatory or legislative actions that would diminish its banking secrecy and tax haven status within the European Community, but that status appears to be undergoing erosion.

A new banking law, adopted in March, spells out a banker's obligations to inform authorities when they suspect drug money-laundering operations.

And the industry is bracing itself for a new law, now being discussed, that could make suspicions of "substantial tax fraud" another reason to breach banking secrecy. The draft law is modeled after Swiss legislation, leaving it up to the courts to define "substantial."

"We're not happy with this law, that's clear," said Mr. Thiel, though he added that it could serve to relieve political pressure exerted by the rest of the Community on Luxembourg.

Jacques Neher



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Private Banking / A Special Report

Technology Sits at the Mahogany Desk

By Conrad de Aenlle

GENEVA — A souped-up, state-of-the-art model of private banker has arrived. Think of him as the Terminator for the moneyed class — a computer wrapped inside a human being who sits behind a mahogany desk. He has evolved along the same path as other providers of financial services: Technological innovation and tighter competition have forced an increased reliance on high-tech machinery to boost asset management performance, improve administrative efficiency, cut clients' costs and widen the banks' own profit margins.

cannot afford the investment in equipment and training needed to put a sophisticated system in place, bankers say. "Over the last 10 years the whole industry has moved drastically into technology," said Luc Denis, managing director of J. Henry Schroder Bank. "Still, it's an expensive gadget, and not every bank can afford it." By his estimate, computer hardware and software take up 8 to 10 percent of his bank's annual expenditures, and communications systems eat up a further 8 percent. Beyond that are the labor costs of the 6 percent of Schroder staff employed in keeping the operation up and running. While banks must hire staff to operate the computers, they benefit from an overall savings in manpower because private banking is such a labor-intensive business. A study done in the mid-1980s by the University of Geneva estimated that were it not for technology, banks in the city would need 50,000 net additional employees by the early 1990s. Swiss Bank Corp., one of Switzerland's largest banks, spends \$350 million a year on its system. The bank has been able to cut its work force in Geneva from 2,400 to 2,020 over the last 10 years, solely thanks to its technology, said Rudiger Marb, who runs SBC's computer department. A further reduction of 200 jobs is expected by 1996. Despite the cuts, the bank's ability to manage client money has not diminished because technology has sharply increased productivity, he said. "Our technology allows us to have more data in less time, so we can make faster decisions. If we have to react to the market, our systems allow us to do it, I hope, more quickly than our competitors." Technology permits more efficient asset management through the use of internal funds in which the money of smaller clients who fit a particular profile — based on age, tolerance for risk, where he or she lives and does business — is pooled, rather than managed individually. The definition of "small" varies. At Chase Manhattan Private Bank, a unit of the international banking giant, individual portfolio management requires more than \$1 million of assets. At Schroder a million Swiss francs, or a little less than \$700,000, suffices. And the Schroder computer network is set up so that small clients in internal funds can exercise some discretion in the choice of investments.

Some, for instance, may not want to invest in Dutch shares, for whatever reason. SBC more than some other banks, relies heavily on technology for allocating clients' assets. Executives boast that the bank's computerized portfolio management systems help it "pick the right currency, the right market, at the right time." The efficiency that comes from using internal pools allows banks to charge their customers less and so remain competitive with other providers of management services. "We make less money in commissions, but we gain money in the time we save in administration," said Mr. Denis of Schroder. HAVING computers to handle administrative chores lets private banks save money while enhancing client service, bankers say. The trend is to providing clients with more data, and easier access to it. "We're trying to integrate technology so we have a seamless flow of information for the client," said James Risch, general manager for Chase in Switzerland. "The paper that gets passed around gets smaller and smaller. We can't afford to hire people to match up [order] tickets. I'm not a clothing factory cranking out shirts. I'm more of a tailor. The worst thing is if a client calls and asks how he's doing and the banker says, 'I'll get back to you in 10 minutes or a couple of hours.'" To try to ensure that that sort of thing does not happen, Chase is giving its bigger customers their own personal computers and software so they can plug into its Private Banking International system, which allows them, and Chase Bankers worldwide, to have instant access to information about their accounts. That means portfolio managers need not spend as much time as they used to chasing down bits of data and taking "How am I doing?" calls from their customers. Something as apparently simple and vital as lending clients know where they stand at any given time was not available until recently and may be the most important change that technology has brought to private banking. "Clients want detailed records, an explanation of performance," Mr. Denis said, "not just something written on a napkin at a restaurant. This can only be done with sophisticated technology."



Hong Kong's financial and business district, dominated by the Bank of China Tower.

A Short-Term Mentality in Hong Kong

By Kevin Murphy

HONG KONG — Experts estimate 80 percent of Hong Kong's private wealth is "new money," but bankers say their clients are old hands at driving hard bargains in a market largely untroubled about a 1997 return to Chinese rule. Drawn to its financial capital by Asia's staggering economic expansion, bankers have set their sights on equal returns in Hong Kong only to find a crowded, demanding marketplace and some uncertainty about when China's new millionaire class will need their advice. "It's a market definitely attracting a lot of attention," said Alex Fung of the Canadian Imperial Bank of Commerce. "A lot of emphasis will be placed on the growing wealth here by international groups. The industry will become even more competitive." While many private banking operations have profited from aiding wealthy Hong Kong residents' bid for a 1997 insurance policy, a foreign passport, observers report aggressive capital management, not flight, is the order of the day in the booming British colony. In fact, many bankers report an inflow of funds, newly earmarked for investment in China. "The Asian mentality is now focused on high returns on investment rather than security," said Monica Wong, head of the Hongkong and Shanghai Bank group's private banking business in Asia. "They're not happy with less than a 10 percent return on investment. There's not a tremendous surge of money flowing out of the region when China investments offer such good returns." Investors are "very short term" according to Ms. Wong. "They consider one year a long-term play, but months to a medium-term investment," she said. And they are willing to move considerable sums to another bank if management fees are lower. "Clients don't put all their eggs in one basket," said Carl Chien, a director of Brown Brothers Harriman (Hong Kong) Ltd., one of the leading top-end American private bankers in the colony. "They may have up to 10 different groups managing their money and in-house accountants tracking each bank's performance against the others." "The main players are all sharing customers," agreed Francois Barbé, general manager of private banking for Banque Nationale de

Paris. "Generally, the customer knows what they want and with whom they want to do it." Despite widespread belief that the industry faces consolidation — there are more than 30 Swiss banks in the colony — no one confidently predicts when it will come. In the meantime, private banking teams are upping their head count and locally listed banks are taking the market more seriously. According to banking analysts, only the Japanese and mainland Chinese banks have resisted joining in the fray. "For most of the locally listed banks, private banking is relatively small business compared to their bread-and-butter operations, trade finance and mortgage lending," said an analyst with Morgan Grenfell Asia Securities. "The foreign banks with much smaller customer bases are really working the private banking niche." However, its traditional high margins and increasing use as a marketing tool in Hong Kong's competitive retail banking sector indicate private banking will see greater focus in the near future. "They can't ignore it; private banking is a developing area," said Karen Udoveny, an analyst with Morgan Stanley Asia Ltd. Would-be portfolio managers are attracted by published estimates that a pool of up to \$200 billion requires their guidance. "Fortune magazine said there were 10 billionaire family groups here," said Paul Simpson Giles, executive vice president of Austria's Creditanstalt. "It's closer to 18." "Because investors' loyalty is more fleeting than in Europe or the United States, new entrants will get a hearing. It's easier for banks to come in and talk to people here than most places," said Mr. Giles. "No one has been anyone's banker for five generations." One local Chinese banker, who asked not to be identified, said: "The Chinese demonstrate two extremes. They are very, very speculative, they love to gamble. But when it comes to their banks, they don't want to hear about losses, they want to hear about guaranteed returns." "The key is to catch them at the right time. If they've just lost some money, sell them some secure investments. If you find out they're bored with their CDs and TDs, hit them with futures, options and forex ideas." Portfolio managers report that their customers, particularly the younger generation in wealthy, extended family groups, many of whom have studied overseas and worked in the banking sector before returning to Hong

Kong, are keen to try the latest complex financial instruments. "More than half of my clients have their own Reuters screens," said Mr. Giles. "This market is technically advanced and people want to trade actively themselves. Two-thirds of our accounts are nondiscretionary. If you cannot trade live for your clients, as representative offices cannot, it can be a marketing liability." While customers display eclectic pursuits in types of investment, most Hong Kong and regional clients share an abiding interest in U.S. dollar-linked investments and opportunities in China, where the official mainland media recently reported that "one million millionaires" are now counting their yuan. HOWEVER, observers are divided on how big the payoff in the mainland market is right now. For every European bank luring attractive foreign Mandarin-speaking account executives to solicit deposits in China, a contrary view exists that China's wealth is not yet sophisticated enough to require private banking services. "People have made a lot of money on the mainland, but how do you define mainland money?" said Mr. Fung of the Canadian Imperial Bank of Commerce. "It's hard to say where it's from given all the cross-border transactions and partnerships." "There is money coming in from China, but most of it is more comfortable in the Hong Kong property market or stock market," said Mr. Giles of Creditanstalt. "I'd say only 5 percent of the new China wealth in Hong Kong is in private international banks." Monica Wong of the Hongkong Bank group estimates mainland China's investment in Hong Kong at 100 billion Hong Kong dollars (about \$13 billion), 75 percent of which is in stocks and properties. "By and large, they're not sophisticated enough, a investor via require private banking services," said Ms. Wong. "The time is not right yet," agreed one senior Western financial adviser. "The Chinese still like to do business with Chinese. But on the security side, they may be happier in the future to see Western firms about their private business."

KEVIN MURPHY reports from Hong Kong for the International Herald Tribune.

Wealth Pours Into Southeast Asian Institutions

Continued from page 15

ments for his children's education and set up a family trust. "Most of our Southeast Asian clients are extremely international in outlook now," said Alistair M. Riley, manager of private banking in the Singapore office of the Hongkong and Shanghai Banking Corp. "They look to their private banking channel for a full range of professional financial services. They have the money to invest for the long-term in areas they think represent good value." Private bankers say that while some of their clients are aggressive traders and risk-takers, many adopt a conservative approach, prefer-

ring to put their money in cash deposits, bonds or property. "For a lot of my customers," said one banker, "the drive is not to make quick money. They are interested in cash-iron safety." Another private banker said that many of his Asian clients were highly sophisticated and made regular use of hedging techniques to minimize foreign exchange risk when trading in currencies or buying foreign stocks and bonds. As competition between banks and brokerage houses offering private banking increases, the range of services and investment products available to clients is widening. Citibank, for example, offers an art purchase advisory service. However, some established private bankers

in Singapore express concern that the boom in the industry may be overdone and lead to a fall in standards of service. They worry that growth in the number of Southeast Asian millionaires is leading to keep pace with the supply of private banking services. "I believe that the day of explosive private banking growth in this region is over," said one banker. "It tends to be a finite pot." While the middle class in Southeast Asia is growing very quickly, the super-rich are not multiplying as fast, he added.

MICHAEL RICHARDSON is editor for Asia of the International Herald Tribune.

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Private Banking / A Special Report

# Taxmen Warned: 'No Fishing Allowed'

By Philip Crawford

**P**ARIS — It's no secret that secrecy is a major part of what offshore private banking is all about. Depositors want it, and banks provide it. It's also no stretch of the imagination that foreign tax authorities, suspicious that they are losing major tax revenue from unreported income, loathe it.

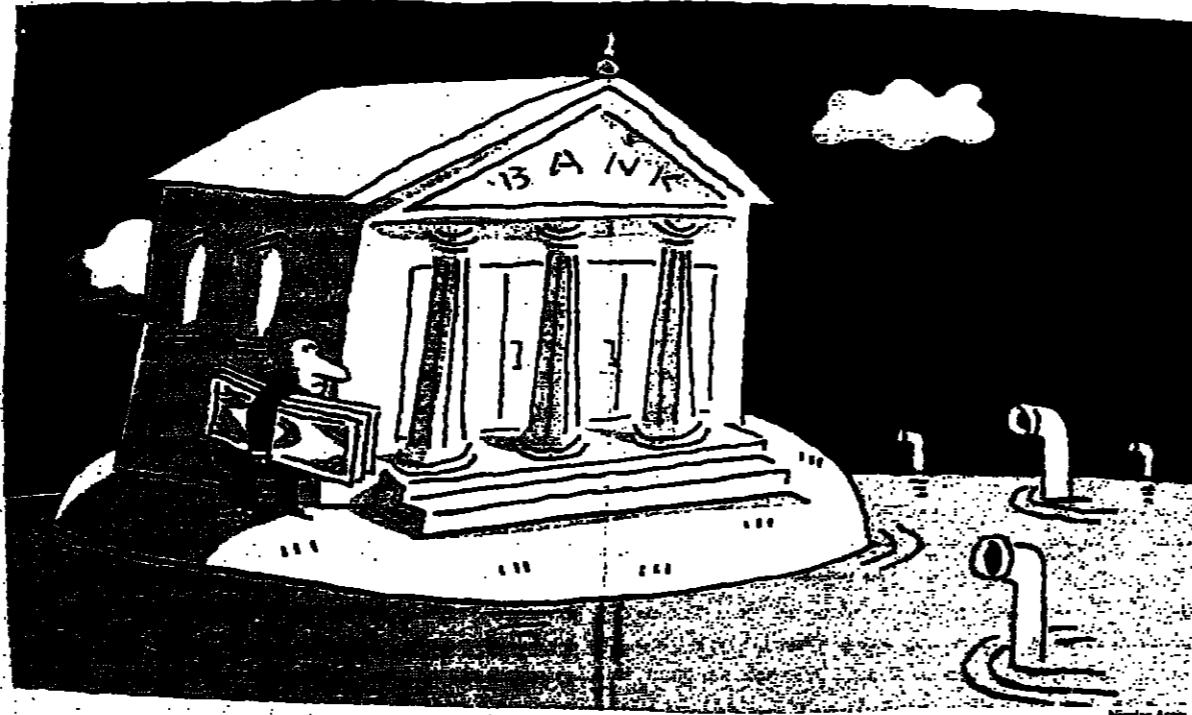
And perhaps they should. The fortress of confidentiality protecting banking clients in offshore centers such as the Channel Islands, Luxembourg, and the Cayman Islands appears to be virtually impenetrable. Indeed, say banking analysts, in a world where the minutiae of one's financial affairs can be called up on a computer screen within seconds by the government or a credit bureau, the realm of the private citizen seems still to have the lion's share of rights.

Offshore bankers themselves, while making it clear that shunning tainted money is in their own best interests, nonetheless say that they embrace two fundamental principles: that a client's right to confidentiality is paramount, and that the worries of foreign revenue authorities are the problems solely of those agencies themselves.

"There are absolutely no circumstances under which a bank here would respond to an inquiry made directly by a foreign tax authority," said Richard Syvret, the chief financial regulator in Jersey, Channel Islands. "We are under no legal obligation to such agencies, and we do not divulge client account information to any third party. Whether a depositor reports his holdings or income from those holdings to tax officials in his country of legal residence is something which he himself has to apply his own mind to."

In Luxembourg, Europe's other premier offshore center, the matter of protecting depositors from the snooping of foreign tax authorities is taken to a further extreme. "It's not just that financial-sector employees are not obligated to cooperate with foreign tax authorities," said Patrick Zurstrassen, managing director of Banque Indosuez (Luxembourg). "They are forbidden by law to do so. It's a very strong stance."

Strong indeed. In Luxembourg, it is a criminal offense for a bank employee to knowingly or unknowingly divulge information about a depositor's financial affairs to a third party. Industry sources in the Grand Duchy say that the law has been accepted with grudging, if professional aplomb by Luxembourg's corps of banking workers, given the burden of responsibility that it places on them.



In Grand Cayman, the tropical island southwest of Cuba whose status as an international financial center appears to be growing steadily, island officials say that foreign revenue authorities have tested the limits of their jurisdiction.

"The IRS [the U.S. Internal Revenue Service] used to conduct what we call 'fishing expeditions' down here," said Jeremy Richardson, Grand Cayman's deputy inspector of banks and trust companies. "They'd send a list of names and say, 'Tell us what you know about these people.' We would reply, of course, that we hadn't the right to do such things, since banking confidentiality laws here in Cayman are very strict. I think they learned that they couldn't expect to obtain that sort of information from us."

Agencies such as the IRS are obviously interested in any income that they are entitled by law to tax. A common scenario involving offshore banks would be that of a chunk of money that was earned legally in an individual's home country, but then moved offshore without having been reported. Once money is placed offshore, it begins to earn money itself, which is also taxable at home. Such income is also typically paid out in gross, since most offshore centers levy no taxes whatsoever on nonresident depositors.

Some analysts say that the U.S. law requiring banks to report any cash transaction of \$10,000 or more to the IRS does not really hinder the movement of money to offshore accounts. The oft-cited reason is that few reputable offshore banks, in the interests of eschewing dirty money, will accept cash deposits. Other insiders, however, while conceding that well-known banks typically do not accept suitcases full of bills, say that cash can indeed find a home among the thousands of offshore banks that exist globally.

In Britain, where many depositors in Luxembourg and Channel Islands banks reside, there is no similar statute for reporting banking transactions. That fact, however, does not

mean that Inland Revenue, Britain's national tax agency, is not concerned with money sitting in offshore accounts.

"Obviously, anyone required to file a tax return is obligated to report all sources of income," said Diane Gee, a spokesman for Inland Revenue. "But the way of the world being what it is, not everyone does. The issue is certainly something that the Revenue is concerned with."

**S**UCH concern can apparently take on slightly comic tones. Ms. Gee said that she knew of one individual who had reported all of his interest income from Channel Islands deposits on his tax return. Shortly after he filed his return, she said, the taxpayer received a special letter of gratitude from the agency thanking him for his honesty.

Ted Brown, a criminal investigator for the IRS, said that the agency sees offshore banking centers as one problem among many in its battle against unreported income. While the agency currently has no estimate of how much income goes unreported each year (legally or illegally earned), a study now under way should provide a ballpark figure by the end of 1993, he added.

Mr. Brown also said that income generated from illegal narcotics trafficking is seen by the IRS as more of a problem than that of investors who make money legally but then do not report their income.

"There are people whose business is the moving of illegally earned money to offshore accounts," said Mr. Brown. "And they are usually very creative. Once we find a way to stop one of their methods, they tend to find another. Then we have to find a way to stop that."

One way that people try to skirt the U.S. "\$10,000 law," said Mr. Brown, is by having many accounts and withdrawing an amount just under \$10,000 from each of them when a chunk of cash needs to be moved. Such

activity is referred to as "smurfing," he said.

The realm of illegal activities is, in truth, the only area where offshore bankers will cooperate with investigations conducted by foreign authorities, say experts. But even then, tax agents or law enforcement personnel cannot expect to receive any information directly from a bank. Typically, they must pose any inquiry to the offshore center's judicial branch of government, which will then raise the possibility of releasing information about a client with the financial institution.

"The burden of proof is always on the foreign agency," said Mr. Syvret, the Jersey regulator. "If it's a clear case of some sort of illegal activity, such as money-laundering, then, of course, there can be cooperation. But the foreign bureau, which would usually be a drug-enforcement agency as opposed to a revenue authority, has to demonstrate convincingly that that's the case. And if any information were released to them, it would be on the condition that they not release it to any other agency."

For those who make their money legally and then deposit it offshore, the decision not to report income is obviously a calculated risk, say banking insiders. But most bankers say that cases of blatant tax evasion are something that they rarely come across. What they do see every day, many add, is people seeking to avoid taxes.

"The key is the difference between avoiding and evading," said Ian Swindale, associate director of Mourant & Co., a Jersey trust concern. "The first is legal, and the second isn't. Avoiding taxes is simply attempting to pay the least amount of tax which the law requires you to pay."

"Everyone is entitled to that, as well as to confidentiality in how they go about it."

PHILIP CRAWFORD is a journalist based in Paris.

# Global Competition Heats Up

Continued from page 15

True offshore tax havens, of which there seems to be a new one every month, attract 27 percent of worldwide business. The leaders are the Channel Islands of Jersey and Guernsey, Hong Kong and the Bahamas. Their growth is substantial. Total deposits on Jersey rose by 23 percent last year, to £53.4 billion, or close to \$80 billion.

"Business is pretty good at the moment; private banking is pretty much a growth area," said Roger Bignell, deputy director for banking and insurance supervision on the island. "More and more banks are developing their private banking operations."

Two conspicuous examples are Swiss Banking Corp. and Union Bank of Switzerland, which with Crédit Suisse make up the triumvirate of banks that dominate the Swiss market.

Luring the Continent's banking heavyweights is the key to Jersey's growth strategy. "We're trying to encourage more European banks," said Mr. Bignell. "We see ourselves as being the offshore center to the European single market."

The competition in the private banking industry comes not just from the proliferation of financial centers, but from the myriad of other financial service providers vying for their territory.

**B**ROKERAGES, for instance, which used merely to suggest which stocks to buy and then execute trades on the markets, now are offering full-fledged portfolio management services through so-called wrap accounts. Money is managed according to a client's objectives and risk tolerance for an annual fee that encompasses management and trading and usually ranges from 1.5 to 3 percent of assets, depending on the size of the account.

Even American retail banks are expanding their range of investment services in an effort to boost fee income at a time when lending is an especially risky proposition.

One fad among banks is to offer mutual funds along with conventional deposits. Lipper Analytical Services says assets held in funds managed or marketed by U.S. banks rose tenfold in the five years through 1992 to \$1.597 trillion.

Executives of some of the more tradition-bound banks in Geneva turn up their noses at newcomers in the field, such as the upstart tax havens, by saying they cannot possibly live up to Swiss standards.

"Opening an account in Jersey is easy," remarked Mr. Denis of Schroders. But for a client who wants to "transfer \$1 million on a phone call to a strange place so his wife can buy some jewelry, he can't do it. Switzerland still has a substantial advantage."

Mr. Bignell responds that even if Jersey's history as a financial center is not as long as Switzerland's, it has a sound financial infrastructure that can serve the needs of its banks and allow them to serve the needs of their clients.

"Jersey's been in international business for 30 years," he said. "We have represented in Jersey all the major international firms of lawyers and accountants, so we can provide excellent backup service to the banking industry."

Georges Vergnion, who is in charge of private banking for Chase Manhattan Bank in Europe, the Middle East and Africa, said the different financial centers are more complementary than competitive. Political, legal and geographical differences give each its own niche in the market.

It's easy for him to be gracious. Chase and other large banks, like the Swiss Big 3, maintain offices in many of the old and new financial centers, covering their bets as the industry expands. Rather than wait for customers to come to them, the banks are going abroad to ferret them out.

"Ten years ago, Crédit Suisse had a lot of people from different countries going into Switzerland," said Yves Sabagh, general manager of Crédit Suisse France. "Now Crédit Suisse tries to find local people, in France, in Germany, in Spain."

Because of the secrecy involved in private banking, accurate, up-to-date estimates of the size and demographic breakdown of the industry are hard to get. By Chase's reckoning, the worldwide market totals \$6 trillion.

The key cross-border portion of the market (banking isn't thought to be truly private until the money passes a frontier, out of reach of tax and other authorities) is about \$3.5 trillion.

While Europe still dominates the market as a destination for assets, it is becoming less important as their source, said Ian Partridge, head of marketing for Chase Manhattan Private Bank.

The strong growth is from Asia and Latin America.

"Europe and the Middle East is a relatively mature market that is growing quite slowly," he explained. "Anyone who could use private banking services is already doing so. In Latin America, there's a lot of repatriation because of the [political] stability. You can see good growth in Asia-Pacific due to the creation of wealth" in their blossoming economies.

**J**UST as Swiss banks have branched out into the world, a number of foreign banks tried to set up shop in Switzerland over the last decade, but with less success. The market quickly reached a saturation point, and many of those that had no track record in private banking had to close.

Some bankers say that the shakeout has yet to run its course and that many more will leave the field. Although the consolidation has taken its toll, the Swiss insist they are up to the challenge from the new players and will remain the dominant force in private banking, although maybe not as dominant as they once were.

"The more people that come through Geneva, the better it is for us," said Mr. Fictet, whose bank was started by a Fictet six generations ago in 1805. "It's better to be a center with competition than not to be a center and have no competition."

CONRAD DE AENLIS is a Paris-based journalist specializing in financial topics.

'We see ourselves [in Jersey] as being the offshore center to the European single market.'

For a client who wants to transfer \$1 million so his wife can buy some jewelry... Switzerland still has a substantial advantage.'

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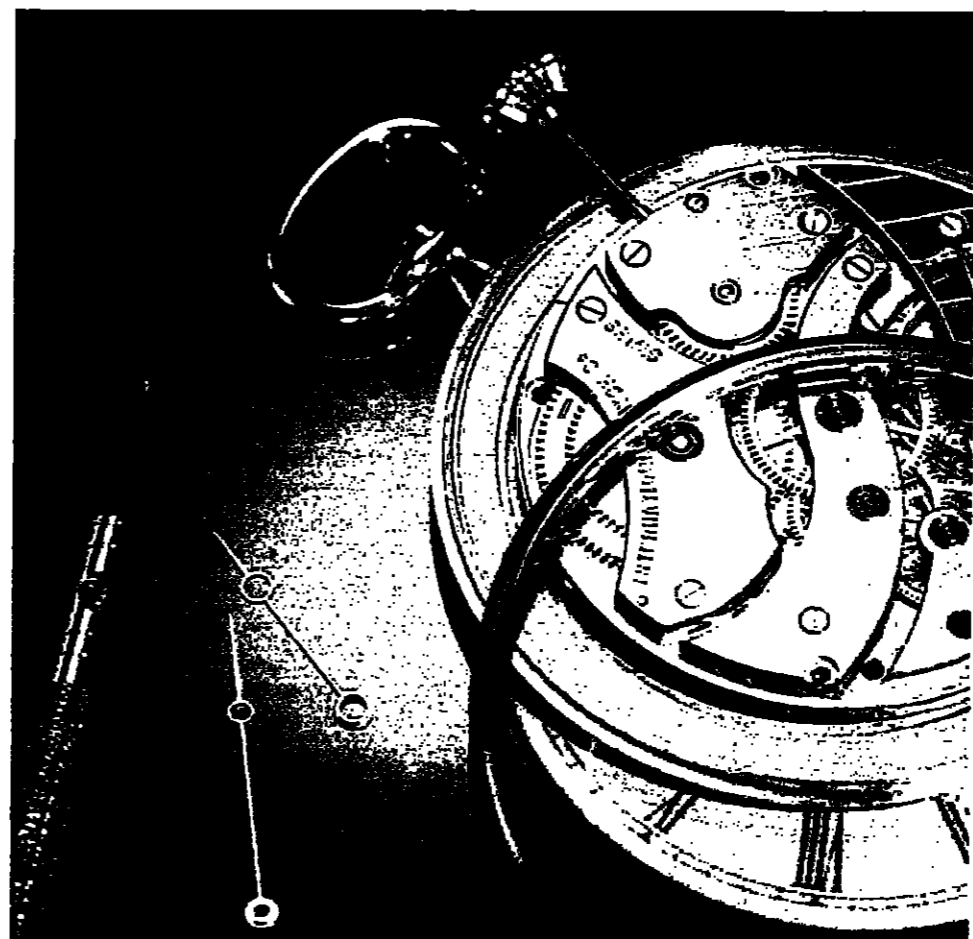
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Private Banking / A Special Report

# Ancient Plutocrats Took Wealth to a 'Trapezite'

By Barry James

**P**ARIS — Private bankers? As usual, the Greeks had a word for them. When the *neoplutei* — the nouveaux riches of ancient Athens — needed to invest a spare talent or two, they took them to a trusted *trapezite*, literally the man at the table, who took money on deposit and lent it to merchants at interest rates that varied from 12 to 30 percent, according to the risk.

Soon after the Persian War, Themistocles, fearing political uncertainties and demagogues at home, deposited the vast sum of 70 talents with the Corinthian banker Philostephanus — much like a modern plutocrat feathering his nest in Switzerland.

The *trapezites* started as ordinary money changers, but by refining methods inherited from the Near East they became private bankers in the modern sense of the term. Antisthenes and Archestratus established what became under Pasion, a former slave, the most famous of all the private Greek banks. It had many departments, staffed by slaves, and kept complex records that were considered so accurate they were accepted as evidence in law courts.

Athenian bankers provided their clients with many of the services available to the wealthy today, and a few more. The philosophers disapproved of usury, so the banks paid no interest as such. But they stood bail — an important service in those litigious times — collected debts, received valuables for safekeeping, lent money on the security of land, financed the shipment of goods and issued letters of credit, money orders, checks and bonds.

Unfortunately, some of the bankers were afflicted by *pleonexia*, the appetite for more and more, and many of them went bust amid accusations of malfeasance.

The Greeks passed on their methods to the Roman Empire, where bankers accepted checking accounts and interest-bearing

deposits, issued travelers checks and bills of exchange, dealt in real estate, placed investments, collected debts and lent money. But in 33 A.D., the Emperor Tiberius embarked on an austerity campaign that led to a sharp fall in the money supply.

The bank of Balbus and Ollius went belly up when a senator withdrew a huge deposit of 30 million sesterces and soon reports of similar collapses came in from many other parts of the empire. Tiberius restored confidence by distributing 100 million sesterces for them to lend without interest on the security of real estate.

With the decline of the Roman Empire, banking disappeared in the West but continued to flourish in Byzantium, which organized an extensive credit system. In Western Europe, private individuals deposited their wealth with the church or monasteries. The abbey of St. André in France had such a thriving savings and loan business that it hired Jewish moneylenders to manage its financial operations.

Because of the church's ban on usury, moneylending was left to the Jews, but in the 13th century a powerful group of Christian moneylenders emerged at Cahors, in southern France, to serve the bottomless need for cash of the rulers and prelates. Matthew Paris, the chronicler, described "the abominable plague of Cahorsians" and said that "there was scarcely any man in all England, especially among the prelates, who was not entangled in their nets."

With an expansion of trade, great banking families emerged in Italy in the 13th century — the Buonsignori, and Gallerani, the Frescobaldi, Bardi and Peruzzi, the Pisani and Tepeoli. These Lombards extended their operations from one end of Europe to the other.

The Italians developed virtually every function of a modern bank. They accepted deposits, carried current accounts, arranged money transfers by bookkeeping operations, received goods in bond for transfer to other countries, issued letters of credit and bills of exchange, and financed the newly formed companies



"The Money Changer and His Wife" (1514) by Quentin Massys.

(*com-pans*, bread sharers) of associates who bought shares in ships or businesses. The shares were made transferable in Genoa in the 14th century, thus giving birth to the joint stock company.

The Florentine banks established the rates of exchange for the whole of Europe, much as the German Bundesbank does today. They bequeathed not only their methods but their vocabulary: *credita*, *debito*, *cassa*, *conto*. A key figure in the development of banking was not, however, a banker. He was a Franciscan friar called Luca Pacioli, who popularized the concept of double-entry bookkeeping.

Canon law held usury as immoral and defined it narrowly as "whatever is added to capital" — a rule that remained in force until 1917 — and the church withheld communion and Christian burial to anyone guilty of receiving interest.

Enter the bankers. Like their successors planning a tax haven, they devised all sorts of schemes for making money grow

without running afoul of the law. The Cahorsians lent to monasteries at up to 60 percent a year by juggling land rents. *Zins*, the word for interest in German, is a deformation of the Latin word for census, referring to a register of land values.

In 1251, the church itself tried to get around the usury ban by setting up *Montes Pietatis* — "hills of charity" — where trustworthy clients could obtain loans without interest by pledging valuables.

After the Reformation, many Protestants, quoting Leviticus 25:37 and Ezekiel 18:8, claimed that any interest was *unrighteous*. To save their consciences, a group of wealthy Calvinists in the Netherlands founded the Bank Van Leening in 1614 to lend money to the poor at low or no interest. An inscription over the portal advised the wealthy to go elsewhere.

Barry James is on the staff of the International Herald Tribune.

# U.S. Banks Discover the Rich

Continued from page 15

But Mr. Tarr says secrecy is only a minor consideration in private banking compared to the internationalization of investment, and James Zeigon, head of Chase Manhattan's private banking, agrees with him. "The key is globalization of markets and instant information," said Mr. Zeigon. "People see CNN, watch a Reuters screen, and call their business associates on cellular telephones. I see two to three hundred clients a year. They all have information and they want to use it."

The original of all U.S. private banks is J.P. Morgan. In the 19th century, it financed American industry by tapping the wealth of the British aristocracy and then using its robber baron depositors' own capital to restructure what they had built. Their descendants still favor the bank.

Not to be left out of today's marketing wars, Morgan has been running advertisements in the glossy magazines saying it takes \$5 million to open a private account. In fact, although Morgan's private bank manages about \$60 billion in assets, it does not regard itself in the same league with such competitors as Chase Manhattan and Citicorp, which each manage about the same amount of funds but stress asset growth as opposed to the classic private bank's theme of preserving wealth.

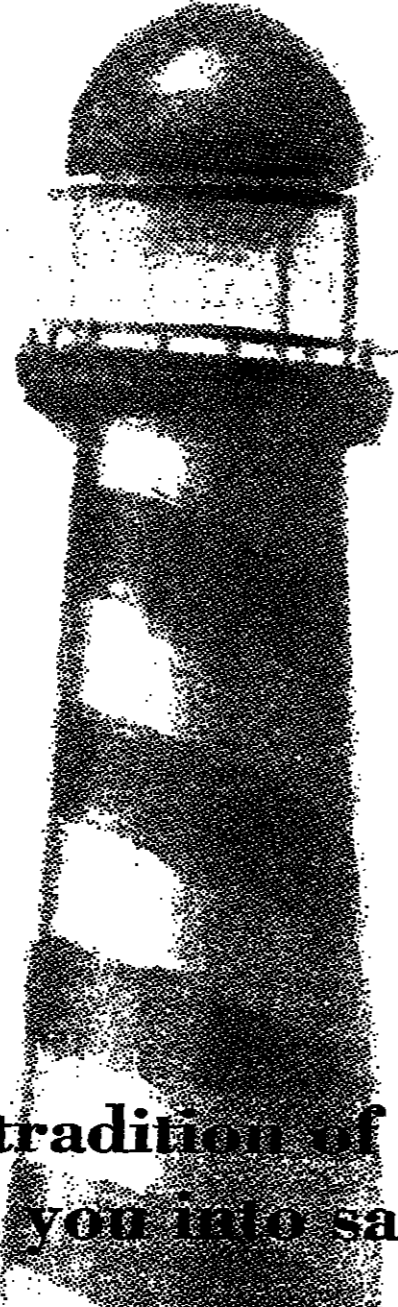
Morgan's private clients are so rich they often can do both. They number only about 1,100, half of them abroad, and an average client is worth an astounding \$35 million. (The bank will consider negotiating fees only for accounts of \$30 or \$40 million and above.) This tremendous financial power has put clients on the inside track to Morgan's own deals.

Traditional private banks such as the Boston Company and U.S. Trust of New York, which have been handling the carriage trade for more than a century, stress prudent asset management and offer management fees below the industry standard of 1 percent, plus fees and commissions. The Boston Company attracts customers by specializing in jumbo mortgages of \$350,000 and more.

U.S. Trust has gone another route — downmarket. Once virtually a private credit union for Wall Street, it recently dropped its minimum deposit from \$1 million to \$250,000 in a bid for the 35-year-old lawyer or investment banker. For that, he gets a free checking account, access to credit, and a choice of the bank's conservatively managed mutual funds (with a 4 percent front load). He also gets "one reasonably intelligent person who speaks English" to watch his account over the years, says John C. Hoyer 2d, U.S. Trust's private banking chief.

Lawrence Malkin is on the staff of the International Herald Tribune.

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## ABN-AMRO Bank Private Banking

## Elusive Benchmark of Success

Continued from page 15

of cash first into bonds, then equities. But many clients aren't interested in the notion that a long-term investment in shares can produce a real return of 6 percent per annum over 10 years, and that want to know if they've beaten interest rates over the last 12 months. They have no tolerance to market volatility."

Charles Tracy, managing director of N.M. Rothschild & Sons (C.I.) Limited agrees that the benchmarks vary according to tolerance to risk, and claims that the private banker can find it difficult to please a client.

"We have people whose money is managed only in cash, and that only in one currency. We have some who like to have multiple currency exposure, right through to those who want the full diversified

equity portfolio who are basically hoping for growth in excess of 10 percent per annum. Realistically, the standard against which we measure ourselves is the relevant published index. But if a client is in, say, U.K. shares, and the U.K. index is down 10 percent and we outperform it by losing only 6 percent, that client will still be unhappy."

Pierre de Lense, Paris-based vice president of Paribas Asset Management is reluctant to commit himself to one single benchmark. "We have evolved toward an approach in which we are genuine consultants, advising individuals on their total wealth," he said. "That means not just their assets in the bank, but everything they own. The advice we give extends right down to which lawyers they should use if they are rearranging their affairs."

Mr. de Lense sees return on assets as a secondary function of private banking, which he believes is primarily about helping clients to organize their assets, to help them choose from a range of investment options, and to educate them in the risks and the possible tax consequences of each solution. Nevertheless, Mr. de Lense does expect to be judged by contemporary investment benchmarks and selects the Morgan Stanley Capital International index of European shares as his most frequent point of reference.

Given Paribas' preference for putting equity-oriented clients into mutual funds, some might argue that Mr. de Lense is being hard on himself in choosing such a benchmark. Funds, after all, have charges that reduce the return to investors. Moreover, indexes do not have to pay the transaction costs that are inevitable in fund investment. These factors are often advanced by a frequently embarrassed fund industry when statistics show that many funds (often as many as three-quarters of the funds invested in a given market according to research from international fund monitoring firm, Micropal) fail to beat the market average in a given year.

Trevor Falle, marketing director at ANZ Grindlays Bank (Jersey) Limited, argues that his clients "don't expect us to beat the equity indexes." He said, "Generally, a great many private banking clients are extremely conservative, so protection is the name of the game, and equities hardly come into it. What we're expected to do on the asset front is marginally improve the returns on cash and protect our clients' wealth against inflation."

Mr. Falle says that some ANZ Grindlays clients deal directly with the bank's foreign exchange operation. They use foreign exchange advice they receive as their prime risk advisory service.

"It's as simple as this: The benchmark varies with the client," he said.

Whether the benchmark be cash deposit return, equity or bond index, or the average return of managed bond or equity funds, the entry level into private banking is high — at least compared to the broad range of retail financial services. Paribas will take on clients with as little as 1 million francs (about \$182,000) to invest, but the entry level for banks such as Chase Manhattan is \$1 million.

Martin Baker is editor of the International Herald Tribune's Money Report.



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NYSE

Tuesday's Closing
Tables include the nationwide price up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

Table with columns: 12 Month High/Low, Div, Yld, PE, High, Low, Last Sale, Change. Lists various stocks and their performance.

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INTERNATIONAL FUNDS

April 13, 1993

Qualifiers applied by funds listed. Not asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue prices.

The marginal symbols indicate frequency of quotations: (d) - daily; (w) - weekly; (b) - bi-monthly; (M) - monthly; (Q) - quarterly; (A) - annual.

Large table listing various international funds with columns for fund name, 12 Month High/Low, Div, Yld, PE, High, Low, Last Sale, Change.

Table listing various international funds with columns for fund name, 12 Month High/Low, Div, Yld, PE, High, Low, Last Sale, Change.

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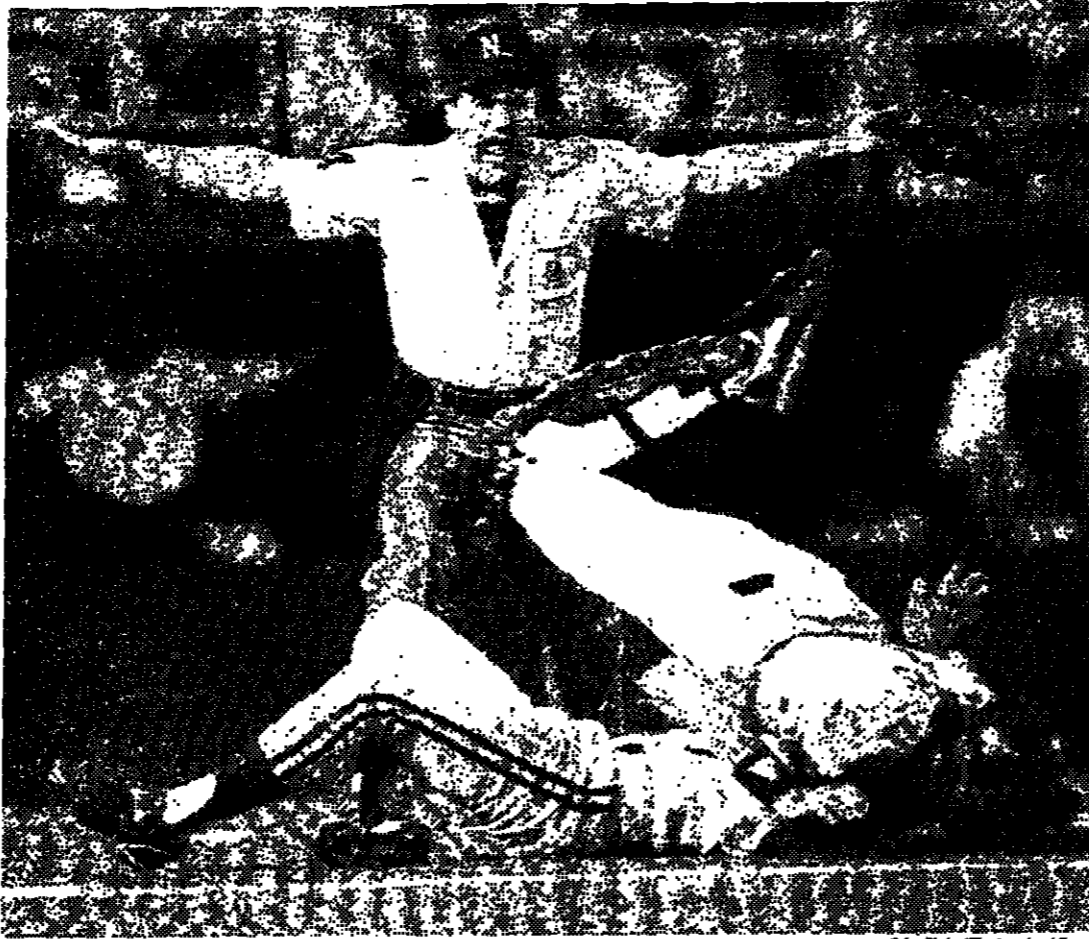
السنة الثالثة

# SPORTS BASEBALL

## Cone Takes Licking From Abbott as Yankees Win 4-1

By Jack Curry  
New York Times Service  
NEW YORK — The pomp and pageantry of opening day was unpredictable. George Steinbrenner remained ensconced in his private box in his first game back in 32 months. Six women in shorts danced atop the Yankee dugout between innings. But Jim Abbott was quite predictable.

Though the start of another season in the Bronx would have attracted a sellout crowd anyway, the pitching matchup of Abbott versus



Don Slaught was safe, if buried by the Padres' Dan Walters, as the Pirates rained San Diego's home opener.

**AL ROUNDUP**  
The Kansas City Royals' David Cone made Monday's game even more appealing for the 56,704 spectators, a record for the refurbished Yankee Stadium, on a crisp afternoon. It was the courageous left-hander in his first start in his new home against the former Met who wanted to be a Yankee, or at least made it sound that way, before he returned home to Kansas City.

Rangers 6, Orioles 3: Juan Gonzalez hit two more home runs as Texas, playing at home, won its fifth victory in six games. Gonzalez, who led the majors with 43 homers last season, again leads this season with five in his six hits this year.

Abbott limited the Royals to eight singles in pitching a complete game as Yankees won, 4-1. Paul O'Neill got four hits and batted in two runs. Wade Boggs and Kevin Mass had run-scoring hits and the Yankees exploited three errors to topple Cone.

Gonzalez hit a 3-2 pitch for a tie-breaking home run in the seventh inning to beat the Cincinnati Reds, 5-4, on Monday night in Philadelphia for the Phillies' third straight victory.

It took Abbott just 83 pitches. Twice, he allowed the first batter of the inning to reach base, then immediately purged each threat with a double-play ball.

Dykstra hit 174 when he batted with one out and the bases empty in the seventh, stroked his second homer of the season off reliever Steve Foster to snap a 4-4 tie and boost the Phillies to 6-1 for the first week of the season.

Then Abbott returned to the dugout and utilized himself for allowing the run.

Steve Rosner, Taylor's agent, said he settled the final details of the contract Monday with George Young, the Giants' general manager. The agent said Taylor was out of town and would sign the pact later this week.

He said no incentives were based on playing time, an important consideration because the ruptured right Achilles' tendon that kept Taylor out of last year's last seven games.

Although Rosner would not confirm the figure, there are indications that the incentives are worth about \$200,000.

**NL ROUNDUP**  
Pitch and scoring on an infield out. He has stolen four bases and scored seven runs.

## Healthy Dykstra Is Good News for Phillies

The Philadelphia Phillies are getting everything they need so far: hitting, pitching and a healthy Lenny Dykstra.

Giants 4, Marlins 3: Darin Lewis's RBI single in the bottom of the 11th sent the capacity crowd at Candlestick Park home happy.

Sosa ended a 0-for-10 slump with his first homer off Steve Avery and drove in another run with a ground out. It was only the second time in eight games the Braves have allowed more than two runs.

## Taylor and Giants Agree on 2 More Years

Compiled by Our Staff From Dispatches  
NEW YORK — Lawrence Taylor and the New York Giants have agreed on a two-year, \$5.05 million contract that will keep the 34-year-old Taylor with the team where he became perhaps the best linebacker in pro football history.

Joe's not going anywhere unless they put the San Francisco offense in," said the source, and Montana has not yet scheduled a visit to Detroit.

Montana is offering Montana a superior financial package, believed to be more than \$2 million a year, and according to a person close to Montana, the Cardinals were gaining on the Chiefs.

The private man lies beneath the glass like a crevice below the mountain's snow cap. Next month he will return to his home of Vesp to throw a huge party for his mother's 88th birthday. He can still be visibly moved by mention of his father, a chemical plant worker who was crushed to death by a car as he left church on New Year's Day 1976.

## Blatter: Soccer's Alp

International Herald Tribune  
ZURICH — The climbing instinct was born into Joseph S. Blatter. An obsession with soccer and a reformer's zeal grow on him.

He smiles, shows across the desk the FIFA yellow card bearing the motto: "Fair Play, Please!"

Blatter's influence over a sport of 200 million players throughout 170 countries will be felt this Thursday in the committee room and on the field.

Blatter's finger on the pulse, his determination to juggle international politics, the power of television, sponsors, agents and the ill of the professional game itself, are worrisome traits.

## Brehme Released

Compiled by Our Staff From Dispatches  
The Spanish first division team Real Zaragoza has released German international Andreas Brehme following a confrontation with the team's coach, Victor Fernandez.

Brehme, who scored the winning goal in the 1990 World Cup final, walked out on the team before Sunday's league match against Tenerife after refusing to play in the inside left position.

### DENNIS THE MENACE

### PEANUTS

### CALVIN AND HOBBES

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OBSERVER

The Evils of Pork

By Russell Baker

NEW YORK — For low comedy, try a troupe of politicians in full cry against the evils of pork. That's what Republicans in the U.S. Senate tried for greeting the spring, the classic season for frivolity.

At one point admirers of unmitigated malarkey watched in delight as Senator Phil Gramm of Texas denounced pork with such fervor that for a moment one man caught himself thinking, "Great Moloch and almighty Baal! Phil is never again going to let another slab of pork cross the border into Texas."

Such is the true senator's power to cloud men's minds when the furies of spring have his tearing passion to tatters. In real life, as all humanity well knows, expiating Texas to give up pork is like expecting the pope to move out of Rome. Texas is the home office of pork chopping. "Chopping," in fact, is an old Texas word for what happens when the first person to get a table gobbles up the chops, the ham, the ribs, the bacon, the sausage, the scrapple ingredients, the sauce makings and the pickled feet before anybody else can sit down.

heaven's sake, threatened by pork! — will help save it by filibustering! Whereupon they staged a bush-league filibuster that must have embarrassed their eldest statesman, Strom Thurmond, who not only holds the all-time record for non-stop filibuster gassifying, but won that record at a time when filibusters went on day and night, the Senate's oldest codgers sleeping on cots in the Capitol and rolling out in pajamas for quorum calls at 3 A.M.

The filibuster against pork was never cast on the heroic scale. No doubt a fair number of politicians are genuinely worried about pork, especially any that doesn't come their way, but few are ready to die fighting it. In short, it was a bush-league filibuster.

Television with its need for drama managed to make it sound important, though there wasn't anything at stake except the Republicans' dignity. The fate of the Clinton budget won't be settled for months when the committees and lobbyists go at it in the back rooms. All the Republicans wanted was to catch the president's attention. And who knows? Maybe they also persuaded the angry taxpayer, a/k/a, "the Perot vote," that Republicans were the good guys.

Television, alas, threatened to turn the filibuster into a monster. Sure the Republicans felt a powerful compassion for the taxpayer's much abused dollar, but it was spring-vacation time, and yearning for their spring break overpowered their loathing for pork. End of filibuster. Hurrah for spring.

As Chaucer might have said, "Whan that April with his soote soote the droghte of March hath perced to the roote, and bathed every vyne in swich licour of which verry engendred is the flour, than longen Senate folk to wende far from Washing Toun for to seken strange stroudes and to basken in sondry loundes."

Western state Democrats, meanwhile, enjoyed a fine pork barbecue. They simply persuaded the president to drop his plan for changing their constituents' fees for using federal lands. No filibuster was needed. A threat to kneecap the president's budget sufficed.

Taxpayers, to arms! The Republicans will help save your famous dollar — the Taxpayer's Dollar, for

New York Times Service

In Berlin, It's Marlene, the Mega-Musical

By Stephen Kinzer New York Times Service

BERLIN — A new entertainment era may have dawned in Germany with the unveiling of the country's first home-grown mega-musical, a lavishly promoted romp through the life of Marlene Dietrich called "Sag mir, wo die Blumen sind" ("Where Have All the Flowers Gone?")

For months Berliners have been inundated with advertising for the show, ranging from radio commercials to full-page newspaper ads to placards that seem to have sprouted on every downtown corner. Much of the city appears gripped by what one columnist called "Marlene fever."



Jutta Habisch at party after the premiere of the Dietrich musical in Berlin; the real Marlene in "The Blue Angel."

Whether because of the promotion campaign, the lure of Berlin or continuing fascination with Dietrich, who died last May at the age of 90, public response has been enormous. More than 100,000 tickets have been sold at prices ranging from \$40 to \$115, meaning that backers recouped twice their investment before the first performance.

Eight thousand travel agencies in Germany are offering package deals under which provincials can fly to Berlin for a weekend to see the show as part of a deal that includes hotel and airline discounts.

The opening night scene last week was a glittering display of limousines, glamour and celebrities. Katarina Witt said the premiere was "a wonderful break from my Olympic training," and Hildegard Knab announced that Dietrich had been "like a mother to me." Thousands of red roses were distributed to celebrity-watchers and surprised pedestrians.

CROSSWORD puzzle grid with clues for across and down. Includes solutions for the puzzle of April 13.

PEOPLE

The Father of Palimony Gets 30 Months in Jail

In Los Angeles, Marvin Mitchellson, the U.S. divorce lawyer who represented such celebrities as Joan Collins, Sonny Bono and Bianca Jagger and made "palimony" a household word, was sentenced to 30 months in prison for tax evasion.

Richard Gere says he doesn't care if he isn't invited back to the Oscars

Richard Gere says he doesn't care if he isn't invited back to the Oscars because he used the event this year to make an appeal on behalf of the Tibetan people.

Extras on a film being produced by Kevin Costner on Easter Island

Extras on a film being produced by Kevin Costner on Easter Island ceded a strike after they were offered higher wages.

"It seems that for a marketing genius like Kurtz..."

"It seems that for a marketing genius like Kurtz," wrote a critic in Tagesspiegel, "the success of a movie is completely unrelated to its quality."

INTERNATIONAL CLASSIFIED section with text: Appears on Pages 4 & 6

WEATHER

Weather forecast section with maps and text for Europe, North America, Asia, and other regions. Includes text like 'Chicago will have a cold, windstorm rain Thursday...' and 'Europe: Dry, seasonable weather will prevail over western Europe...'.

BOOKS

In large measure this is because of O'Toole's prose, which is jaunty, devil-may-care and idiomatic. The idiom is often working-class British, which will leave most American readers mildly puzzled by certain words and phrases, but the best advice is to read right through them.

BEST SELLERS

Best Sellers list with columns for Fiction, Nonfiction, and Miscellaneous. Lists titles like 'The Client' by John Grisham, 'Healing and the Mind' by Bill Moyers, and 'The Way Things Ought to Be' by Ruth H. Lumbrough.

Large advertisement for AT&T WorldDirect Service. Features a globe, the text 'Speed up the approval process.', and a list of international access numbers for various countries like Austria, Bahrain, Belgium, etc.